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BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
COMMONWEALTH EDISON COMPANY,)
)
) No. 10-0527
)
Petition for approval of)
Alternative Regulation Plan)
pursuant to Section 9-244 of)
the Public Utilities Act.)

Chicago, Illinois
January 25, 2011

Met pursuant to notice at 11:00 a.m.

BEFORE:

MS. LESLIE HAYNES,
Administrative Law Judge.

1 APPEARANCES:

2 MR. RICHARD BERNET
MR. EUGENE H. BERNSTEIN

3 MR. MICHAEL PABIAN
10 South Dearborn Street, Suite 4900

4 Chicago, Illinois 60603
-and-

5 ROONEY, RIPPIE & RATNASWAMY, LLP, by
MR. E. GLENN RIPPIE

6 MR. CARMEN L. FOSCO
MS. CARLA SCARSELLA

7 350 West Hubbard Street, Suite 430
Chicago, Illinois 60654

8 Appearing on behalf of ComEd;

9 MR. JOHN FEELEY,
MS. JENNIFER LIN

10 MS. MEGAN McNEILL
160 North LaSalle Street, Suite C-800

11 Chicago, Illinois 60601
Appearing on behalf of Staff;

12

13 MS. KAREN L. LUSSON, MS. SUSAN L. SATTER
MR. MICHAEL BOROVIK, MR. JOHN SAGONE
MS. JANICE A. DALE

14 100 West Randolph Street, 11th Floor
Chicago, Illinois 60601

15 Appearing on behalf of the People of the
State of Illinois;

16

17 ROWLAND & MOORE, LLP, by
MR. STEPHEN J. MOORE

18 200 West Superior Street, Suite 400
Chicago, Illinois 60654

19 Appearing on behalf of Natural Resources
Defense Council and Dominion Retail, Inc.;

20 MR. RONALD D. JOLLY
30 North LaSalle Street, Suite 1400

21 Chicago, Illinois 60602
Appearing on behalf of the City of

22 Chicago;

1 APPEARANCES: (CONT'D)

2 MS. KRISTIN MUNSCH
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3 309 West Washington Street, Suite 800
Chicago, Illinois 60606
4 Appearing on behalf of CUB;

5 DLA PIPER, LLP (US), by
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6 MR. CHRISTOPHER N. SKEY
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7 203 North LaSalle Street, Suite 1900
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8 Appearing on behalf of REACT;

9 BALOUGH LAW OFFICES, LLC, by
MR. RICHARD C. BALOUGH
10 MS. CHERYL DANCEY BALOUGH
One North LaSalle Street, Suite 1910
11 Chicago, Illinois 60602
Appearing on behalf of the CTA;

12

13 JENKINS AT LAW, LLC, by
MR. ALAN R. JENKINS
2265 Roswell Road, Suite 100
14 Marietta, Georgia 30062
Appearing on behalf of The Commercial
15 Group;

16 MR. CONRAD REDDICK
1015 Crest Street
17 Wheaton, Illinois 60189
-and-

18 LUEDERS, ROBERTSON & KONZEN, LLC, by
MR. ERIC ROBERTSON
19 P.O. Box 735
1939 Delmar Avenue
20 Granite City, Illinois 62040
Appearing on behalf of IIEC;

21

22

1 APPEARANCES: (CONT'D)

2 JOHN B. COFFMAN, LLC, by
3 MR. JOHN B. COFFMAN
4 871 Tuxedo Boulevard
5 St. Louis, Missouri 63119
6 Appearing on behalf of AARP;

7 HINSHAW & CULBERTSON, LLP, by
8 MR. EDWARD R. GOWER
9 400 South Ninth Street, Suite 200
10 Springfield, Illinois 67201
11 Appearing on behalf of Metra;

12 MR. ROBERT KELTER
13 35 East Wacker Drive, Suite 1600
14 Chicago, Illinois 60601
15 Appearing on behalf of the Environmental
16 Law and Policy Center.

17

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19

20

21 SULLIVAN REPORTING COMPANY, by
22 Steven T. Stefanik, CSR

1		<u>I</u>	<u>N</u>	<u>D</u>	<u>E</u>	<u>X</u>			
2	<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>		<u>Re-</u>	<u>Re-</u>	<u>By</u>		
3	CHRISTOPHER THOMAS	19	23		55	57			
4					59				
5	MICHELLE BLAISE	60	62		77				
6			68						
7	FIDEL MARQUEZ	80	83		110	112			
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9	MICHAEL McMAHAN	113	117		190	195			
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1	<u>E X H I B I T S</u>		
2	<u>Number</u>	<u>For Identification</u>	<u>In Evidence</u>
3	CUB Nos.		
4	Nos. 1.0, 2.0		22
5	ComEd No. 3.0		82
6	ComEd No. 4.0		83
7	ComEd Nos. 2.0, 7.0 and 9.0		117
8	AG Cross No. 1	90	101
9	AG Cross No. 2	137	
10	AG Cross No. 3	147	178
11	AG Nos. 2.0 and 4.0		204
12	IIEC Nos. 1.0, 2.0 and 3.0		206
13	AARP Nos. 1.0, 2.0 and 3.0		207
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1 JUDGE HAYNES: Pursuant to the direction of the
2 Illinois Commerce Commission, I now call
3 Docket 10-0527. This is the petition of
4 Commonwealth Edison Company for approval of the
5 alternative rate regulation plan pursuant to
6 Section 9-244 of the Public Utilities Act.

7 May I have the appearances for the
8 record, please.

9 MR. BERNET: On behalf of Commonwealth Edison
10 Company, Richard Bernet, 10 South Dearborn,
11 Suite 4900, Chicago, 60603.

12 MR. RIPPIE: Also on behalf of the petitioner,
13 Commonwealth Edison Company, Glenn Rippie,
14 Carmen L. Fosco and Carla Scarsella of Rooney,
15 Rippie and Ratnaswamy, LLP, 350 West Hubbard,
16 Suite 430, Chicago, 60654.

17 MR. FEELEY: Representing Staff of the Illinois
18 Commerce Commission, John Feeley, John Sagone,
19 Megan McNeill, Jennifer Lin, the Office of General
20 Counsel, 1640 North LaSalle Street, Suite C-800,
21 Chicago, Illinois 60601.

22 MS. MUNSCH: Representing the Citizens Utility

1 Board, Kristin Munsch, M-u-n-s-c-h, and Christie
2 Hicks, 309 West Washington, Suite 800, Chicago,
3 Illinois 60606.

4 MR. JENKINS: Good morning. Alan Jenkins
5 representing The Commercial Group, 2265 Roswell
6 Road, Marietta, Georgia 30062.

7 MR. MOORE: Appearing on behalf of the Natural
8 Resources Defense Council, Stephen Moore of the law
9 firm of Rowland and Moore, LLP, 200 West Superior
10 Street, Suite 400, Chicago, Illinois 60654.

11 MR. COFFMAN: Appearing on behalf of AARP,
12 John B. Coffman, 871 Tuxedo Boulevard, St. Louis,
13 Missouri 63119.

14 MR. BOROVIK: Appearing on behalf of the People
15 of the State of Illinois, Janice Dale, Karen Lusson
16 and Michael Borovik, 100 West Randolph, 11th Floor,
17 Chicago, Illinois 60601.

18 MS. BALOUGH: Appearing on behalf of the Chicago
19 Transit Authority, Cheryl Dancey Balough and
20 Richard C. Balough, Balough Law Offices, LLC, One
21 North LaSalle, Suite 1910, Chicago, Illinois 60602.

22 MR. KELTER: On behalf of the environmental --

1 on behalf of the Environmental Law and Policy
2 Center, Robert Kelter, 35 East Wacker, Suite 1600,
3 Chicago, 60601.

4 MR. REDDICK: For the Illinois Industrial Energy
5 Consumers, IIEC, Conrad Reddick, 1015 Crest Street,
6 Wheaton, Illinois 60189, and Eric Robertson of the
7 firm of Lueders, Robertson and Konzen, 1935 Delmar
8 Avenue, Granite City, Illinois 62040.

9 JUDGE HAYNES: Are there any further
10 appearances?

11 Let the record reflect there are none.

12 Okay. Is there -- are there any
13 preliminary matters that need to be taken care of
14 or can we go ahead and call our first witness?

15 MR. RIPPKE: None that I'm aware of, your Honor.

16 MR. BOROVIK: Your Honor, a question:

17 If a witness was scheduled for today,
18 but cross was waived, do we want to hold off
19 entering testimony into the record or do we do that
20 at this time?

21 And I'm speaking in particular of Roger
22 Colton.

1 JUDGE HAYNES: You know, however parties want to
2 work it. We could do that at the end of the day
3 today. A short day.

4 MR. BOROVIK: Thank you, your Honor.

5 JUDGE HAYNES: Okay.

6 Okay. So Mr. Thomas is first.

7 Please raise your right hand.

8 (Witness sworn.)

9 CHRISTOPHER C. THOMAS,
10 called as a witness herein, having been first duly
11 sworn, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY

14 MS. MUNSCH:

15 Q. Good morning, Mr. Thomas.

16 Could you please --

17 A. Good morning.

18 Q. I'm sorry.

19 Could you please state your name and
20 place of employment for the record.

21 A. My name is Christopher C. Thomas. I am the
22 policy director for the Citizens Utility Board.

1 Business address is 309 West Washington Street,
2 Suite 800, Chicago, Illinois 60606.

3 Q. And do you have what's been marked as CUB
4 Exhibit 1.0, which includes Attachments 1.1 through
5 1.5, 1.5 being your affidavit? This is labeled as
6 The Direct Testimony of Christopher Thomas on
7 behalf of the Citizens Utility Board.

8 A. I do.

9 Q. And I understand that there's one
10 correction that was made earlier to this today.
11 Could you describe that for us?

12 A. Sure.

13 On Page 23 of the testimony, Line 509,
14 the word "are" in that line should be changed to
15 the word "reflect." So the whole sentence will
16 read, This impacts customer bills because customer
17 bills reflect the sum total over a defined period
18 of time of the amount of energy consumed and the
19 wholesale market price at the time that energy is
20 consumed.

21 Q. And this testimony was prepared by you or
22 under your supervision and control?

1 **A.** It was.

2 **Q.** And with the exception of that change, if
3 you were asked these same questions today, would
4 you give the same answers?

5 **A.** I would.

6 **Q.** Do you have also what has been marked as
7 Citizens -- CUB Exhibit 2.0, which is described as
8 The Rebuttal Testimony of Christopher Thomas on
9 Behalf of the Citizens Utility Board?

10 **A.** I do.

11 **Q.** And was this testimony prepared by you or
12 under your supervision and control?

13 **A.** It was.

14 **Q.** And if you were asked these questions
15 today, would you give the same answers?

16 **A.** I would.

17 MS. MUNSCH: Your Honor, we filed actually the
18 revised version of CUB Exhibit 1.0 reflecting the
19 change that he had made already on e-Docket today.
20 So that's been updated, and I believe it's been
21 served to the parties.

22 And so with that, we would ask for the

1 admission of CUB Exhibits 1.0 through 1.5 and CUB
2 Exhibit 2.0.

3 JUDGE HAYNES: And so when were the other
4 exhibits filed on e-Docket? What date?

5 MS. MUNSCH: The original ones -- I'm sorry,
6 your Honor.

7 CUB Exhibits 1.0 to 1.5 were filed on
8 November 9th, and CUB Exhibit 2.0 was filed on
9 December 22nd.

10 JUDGE HAYNES: Okay. Is there any objection?

11 MR. RIPPIE: No, your Honor.

12 JUDGE HAYNES: CUB Exhibits 1.0, 1.1 through 1.5
13 and 2.0 are admitted into the record.

14 (Whereupon, CUB
15 Exhibit Nos. 1.0, 1.1 through 1.5
16 and 2.0 were admitted into
17 evidence as of this date.)

18 MS. MUNSCH: Thank you, your Honor.

19 And Mr. Thomas is available for
20 cross-examination.

21

22

1 CROSS-EXAMINATION

2 BY

3 MR. RIPPIE:

4 Q. Good morning, Mr. Thomas.

5 A. Good morning, Mr. Rippie.

6 Q. I promise that although the first two
7 questions will sound the same, the rest of the
8 cross-examination will be different.

9 Would you agree with me, as you have in
10 prior cases, that under traditional regulatory
11 principles, ComEd is entitled to a revenue
12 requirement that reflects its reasonable and
13 prudent costs in providing delivery services?

14 A. The opportunity to recover that revenue
15 requirement, yes.

16 Q. And as always, I'm trying to break it into
17 two questions. So let me ask you the second one
18 and we'll see if it works.

19 And would you agree also then that the
20 Commission should set rates to give it a reasonable
21 opportunity of recovering that revenue requirement?

22 A. Yes.

1 **Q.** Okay. So Step 1 is set the revenue
2 requirement, right? Step 2 is afford a reasonable
3 opportunity to recover it?

4 **A.** That's right.

5 Translate rates that afford the
6 reasonable opportunity to recover.

7 **Q.** And you have consistently testified, I
8 believe, that those principles are axiomatic and
9 flow from long-standing court decisions that you
10 cite in your testimony?

11 **A.** Yes. I think the two most commonly cited
12 are the Hope and Bluefield (phonetic) decisions.

13 **Q.** Would you also agree that charges for
14 delivery services should allow the electric utility
15 to recover the costs of providing delivery services
16 through its charges to its delivery service
17 customers that use the facilities and services
18 associated with such costs?

19 **A.** Yes.

20 **Q.** And would you also finally agree that those
21 recoverable costs include, quote, the costs of
22 owning and operating and maintaining transmission

1 and distribution facilities, close quote?

2 A. Prudently incurred, yes.

3 Q. And those quotations you generally
4 understand to be consistent with the Illinois
5 Public Utilities Act as you described in your
6 testimony; is that true?

7 A. That's true.

8 Q. Okay. Now, in traditional rate-making,
9 there are several reasons why there might be
10 disputes about recoverable costs, agreed?

11 A. That's true.

12 Q. One would be timing; that is, the costs
13 don't belong in the test year or the test year as
14 adjusted?

15 A. Or the measurement period selected was
16 incorrect or incompatible with other measurement
17 periods. That's correct.

18 Q. Let's call those timing issues.

19 Another potential issue would be if the
20 utility claimed a cost of delivery service that
21 wasn't really a cost of delivery service; that is,
22 it was a cost of supply or it wasn't -- although we

1 hope this never happens, it wasn't a cost at all?

2 **A.** Yeah, it wasn't categorized appropriately
3 or it was a fiction (sic). That's possible, yes.

4 **Q.** Okay. Let's put aside those two issues for
5 a minute. So we'll put aside the question of
6 whether the costs are real costs of delivery
7 service and we'll put aside questions about timing.

8 Would you agree that it follows from the
9 principles that we discussed at the beginning of
10 your cross-examination that, those two issues
11 aside, timing and reality, utilities under
12 traditional rate-making are entitled to rates that
13 give it an opportunity to recover -- I'll make that
14 question much simpler. Let me try it again.

15 The remaining reasons, other than those
16 two categories we've excluded, why a utility would
17 not be entitled to a reasonable opportunity to
18 recover a cost would be if it was imprudent or
19 unreasonable?

20 **A.** That's correct.

21 **Q.** Now, do you have an understanding of the
22 standard applicable to the question of prudence?

1 **A.** Generally, yes.

2 **Q.** And Staff has described it in one way and
3 you've described it in your testimony in another.
4 I'm going to ask you some questions about the
5 standard and see if you're on the same page as I
6 am, at least in the main.

7 Would you agree that the Commission has
8 defined prudence as the standard of care which a
9 reasonable person would be expected to exercise
10 under the circumstances encountered by utility
11 management at the time the decisions had to be
12 made?

13 **A.** I believe that's correct.

14 **Q.** And is it also true that reasonable
15 decision-makers could have differences of opinion
16 about what the correct decision was at that time?

17 **A.** Yes.

18 **Q.** And the fact that one person would say yea
19 and another would say nay does not, in and of
20 itself, prove that the decision was -- a decision
21 was imprudent?

22 **A.** That's correct.

1 **Q.** And would you also agree that in
2 determining whether or not a judgment was prudently
3 made, only those facts of -- quote, only those
4 facts available at the time the judgement was
5 exercised could be considered hindsight review is
6 impermissible, close quote?

7 **A.** That's right. It's not a hindsight review.
8 It's only a review of what was known at the time.

9 **Q.** Okay. So would you, given that principle,
10 agree that utilities should not be at risk under
11 traditional rate-making principles for subsequent
12 disallowances of reasonable costs of projects that
13 were prudently undertaken when the program began?

14 **A.** Yes, I would agree, and I think the
15 Commission has noted that.

16 I believe there was an order in the
17 Peoples' -- the last Peoples' rate case that --
18 where the Commission almost explicitly said that.

19 **Q.** I wasn't quoting, but I'm -- we're
20 together.

21 So if an alt reg plan -- you understand
22 when I say "alt reg," I mean alternative

1 regulation, right?

2 A. Yes.

3 MS. MUNSCH: (Unintelligible) as you propose
4 here or in general?

5 MR. RIPPIE: Right now, I'm just talking about a
6 general plan as proposed under Section 9-244 of
7 the -- of the Public Utilities Act.

8 BY MR. RIPPIE:

9 Q. So if an alt reg plan would allow recovery
10 of costs only -- sorry. Try that again.

11 So if an alt reg plan would allow
12 recovery of costs that were determined to be real
13 costs of service and were determined to be prudent
14 and reasonable at the time the programs were
15 approved, its cost recovery would be congruent with
16 that under traditional utility rate-making; is that
17 correct?

18 A. Yes.

19 Q. The timing might be different?

20 A. Yeah. That's correct.

21 Q. All right. Let's take the example that you
22 discuss at Page 10, Lines 212 through 217, of your

1 direct testimony -- that's CUB Exhibit 1 -- which
2 is the -- what's been referred to in this docket as
3 the EV pilot.

4 You understand that to be a proposed
5 pilot of electric vehicles for use by the utility
6 in this case, ComEd, right?

7 **A.** Yes.

8 **Q.** Okay. Now, do you agree that under ComEd's
9 specific alt reg plan, if the Commission believes
10 that that pilot is imprudent based on the evidence
11 in this docket, it need not approve it? Right?

12 **A.** I believe that's correct.

13 **Q.** And if the Commission believes that the \$5
14 million allocated to that pilot is unreasonable, it
15 need not approve that \$5 million, right?

16 **A.** That's correct.

17 **Q.** And in making those decisions, is it also
18 your understanding that the Commission can consider
19 all of the evidence available in this docket at the
20 time that the decision is being made?

21 **A.** Yes.

22 **Q.** And consistent with your earlier answer,

1 you would not advocate that the Commission go back
2 at a future date and apply a hindsight prudence
3 review to that pilot, would you?

4 **A.** I think the prudence review there would be
5 slightly different. It would be how the Company
6 spent the money that may have been previously
7 approved in this case.

8 I think there's still a question there
9 in my mind, Mr. Rippie, of just because there is a
10 preapproval doesn't necessarily mean that whatever
11 the Company did was necessarily a prudent thing --
12 a prudent thing to do.

13 **Q.** I understand.

14 **A.** It's different dimensions of the prudence
15 question.

16 **Q.** But I'm just talking about the project
17 itself.

18 You would not advocate going back in
19 time and revisiting, based on later hindsight
20 information, the decision to go forward with the
21 project?

22 **A.** That's correct. I'll agree to that.

1 **Q.** The question that would remain in your mind
2 is whether or not the Company did a -- speaking
3 colloquially, a reasonable job of implementing the
4 program?

5 **A.** That's correct.

6 They could have made a procurement
7 decision that some folks might disagree with, you
8 know, down the line, having -- looking back at what
9 the Company did when they made the procurement
10 decision, others might have made different
11 decisions; and that that would be the open
12 question, I think, for a prudence docket.

13 **Q.** So as long as the Commission still had an
14 opportunity -- strike that, please.

15 So apart from the question of the
16 Company -- of how the Company implemented the
17 program -- never mind. Let's take a slightly
18 different topic for a minute.

19 There's a brief -- I want to understand
20 what we mean when we say -- or have a common
21 understanding of what we mean when we say an
22 expense is actually being used to supply delivery

1 services.

2 Do you have an understanding of the
3 commonly used and useful standard?

4 A. Generally, yes.

5 Q. Would you agree that the purpose of the
6 used and useful standard is to determine whether an
7 investment is, in fact, providing beneficial
8 service to customers and, thus, its cost is really
9 a cost of service?

10 A. That's right. And I would add that it's
11 sized appropriately --

12 Q. Okay.

13 A. -- to provide that service. So that it's
14 not gold-plated, so to speak.

15 Q. In the delivery service docket that
16 recently had its hearing, 10-0467, the Staff
17 witness, Mr. Rockor (phonetic) gave a definition
18 and I want to make sure -- well, I want to see if
19 you agree with it.

20 He said that for plant to be used and
21 useful or an investment to be used and useful, it
22 must be necessary to provide services to customers

1 or economically beneficial to customers. Is that
2 an okay definition?

3 A. Yeah, I would agree with the definition.

4 Q. Okay. Now, let's take a look at your
5 direct testimony, Page 13, Lines 276 to 278.

6 You testify there that utilities are
7 provided with a distribution monopoly in their
8 service territory because of the capital needs of
9 building that infrastructure and the cost
10 characteristics of distributing electricity.

11 By "that infrastructure," you mean the
12 distribution infrastructure, right?

13 A. That's correct.

14 Q. Okay.

15 A. For the distribution monopoly, yes.

16 Q. Utilities don't have a supply monopoly in
17 Illinois, right?

18 A. That's correct.

19 Q. In fact, one of the precepts of Article 16
20 of the Public Utilities Act and the Illinois Power
21 Agency Act is that supply should be acquired in a
22 wholesale marketplace through a process that is not

1 controlled by the utility, right?

2 A. That's right.

3 Q. So when you say later on in that same
4 paragraph of your answer that rates are regulated
5 by a public utility commission as a substitute for
6 the discipline of the market, you're referring
7 again to delivery rates, not to supply rates?

8 A. That's correct.

9 In this case, it's distribution rates.
10 That's right.

11 Q. However, the largest single component of a
12 customer's total electric bill by quite a margin is
13 supply cost, right?

14 A. That's right. Energy capacity and
15 ancillary services, yes.

16 Q. Would you agree that many factors influence
17 the price of energy cap- -- well, let's be simple.

18 Can we refer to energy capacity and
19 necessary ancillary services as supply for --

20 A. Yes --

21 Q. Okay.

22 A. -- we can.

1 **Q.** Would you agree that many factors outside
2 of the utility's control influence the price of
3 supply?

4 **A.** Certainly.

5 **Q.** Those would include -- I'm going to give
6 you a list, and tell me if you disagree with any of
7 them -- fuel costs; the manner in which dispatch is
8 conducted; the construction or retirement of
9 plants; the operating performance of generation
10 plants; prices and other RTO markets; the degree to
11 which there's congestion on the system; as well as
12 the contributions of efficiency programs or demand
13 response programs operating in other areas in the
14 PJM market.

15 **A.** Yes.

16 **Q.** Now, in your rebuttal testimony, you
17 outline a broad concept for a different type of
18 alternative regulation plan than that proposed by
19 ComEd.

20 And as I understand your rebuttal -- and
21 I apologize. I don't have a page number, but I
22 have a line number -- from the way you sum it up

1 around 197 through 198 of your rebuttal, it is a
2 program where the ultimate measure of the
3 effectiveness of what the utility does is its
4 effect on the customer's total bill; is that fair?

5 **A.** Yes.

6 **Q.** And in your proposal, the utility would
7 only be rewarded if it successfully implemented
8 programs that lowered customers' bills; is that
9 right?

10 **A.** I would say lower than what those bills
11 otherwise would have been before the utility
12 investment.

13 **Q.** So if a bill -- a customer's bill increases
14 because of the necessity of investments in
15 distribution facilities that are beneficial, you
16 agree that the utility could still be rewarded if
17 the bills were lower than they otherwise would have
18 been?

19 **A.** Yeah. The mechanics of that are not
20 clearly specified in the testimony, which may be
21 one of the areas of confusion; but that generally
22 would be the idea where -- that we were trying to

1 articulate where, when the utility distribution
2 investments enable efficiency gains on the customer
3 side, those two would be somewhat offsetting in
4 terms of the impact on the total bill, if not in
5 the customer's favor.

6 Q. I think I understand. And I appreciate
7 your clarification.

8 I understand that there -- mechanics
9 were not specified in detail. And to be clear so
10 that you're sure I'm being fair with you, I'm not
11 asking you about the mechanics at this point. I'm
12 just trying to make sure we understand the policy
13 position you're taking.

14 A. Sure.

15 Q. It is possible, though, is it not, that the
16 utility would still be entitled to a reward if it
17 were successful in promoting efficiency and that
18 success was more than swamped by a beneficial
19 increase in distribution facilities investment?

20 A. Possibly in the hypothetical.

21 Q. Right.

22 A. There's a possibility there, yes.

1 **Q.** Yeah. Okay. I'm not asking you to say
2 that that will occur.

3 **A.** Yeah.

4 **Q.** But in the event --

5 **A.** There are other parameters you may want to
6 put around it in those types of circumstances, but
7 that's certainly possible.

8 **Q.** And would you also agree that if the price
9 of supply strongly rose due to one of those other
10 exogenous factors outside of the utility's control,
11 that it ought to still be entitled to be rewarded
12 if its own efforts lower the bill more than, in
13 your words, it otherwise would have been?

14 **A.** Yes, I believe that's the theory we were
15 going on. Those supply costs are not under the
16 control of the utility, but the efficiency gains
17 enabled by utility investment would be rewarded or
18 could be rewarded.

19 **Q.** Would you agree with me that one of the
20 ways that utilities could work with customers to
21 help drive down their bills is through a
22 well-designed smart grid program?

1 **A.** Potentially.

2 **Q.** Well, in your -- why do you say
3 "potentially" as opposed to "yes"?

4 MS. MUNSCH: Well, I think I'd ask what do you
5 mean by "smart grid"? Since you really haven't
6 used that term before.

7 MR. RIPPIE: Okay. Fair enough.

8 BY MR. RIPPIE:

9 **Q.** Let's say I define smart grid as the -- as
10 EISA does to include in general terms an automated
11 system that goes all the way down to the individual
12 customer level and provides individual customers
13 with information about their electric use and the
14 prices of electricity.

15 Given those parameters, would you agree
16 that a well-designed smart grid program is one way
17 that utilities can work with customers to help
18 drive down their bills?

19 **A.** I think we may potentially have different
20 definitions of what well-designed could mean; but,
21 generally, I'll agree with you.

22 I just want to clarify that and clarify

1 also that if you added the idea that there were
2 associated policy changes along with the technology
3 for the smart grid, then I would agree.

4 Q. And some of those policy changes would
5 include rates that are -- that encourage customers
6 to react to signals that they get through the smart
7 grid systems?

8 A. Voluntary rates, potentially, yes.

9 Q. What other policy changes are we talking
10 about?

11 A. Well, there are a lot of changes concerning
12 customer disconnection. You know, I think we've
13 talked about these issues a lot in the ongoing --
14 or the Commission's smart grid -- statewide smart
15 grid collaborative, and there's going to be a
16 policy docket to address a lot of those issue. But
17 I just wanted to --

18 Q. Sure.

19 A. -- make clear that the definition of
20 well -- you know, sort of well-done may differ.

21 Q. Yeah, you may have a different -- CUB may
22 have a different view of well-designed than does

1 ComEd or it may not.

2 A. Yeah. That's true.

3 Q. But you would recommend to the Commission
4 that it proceed with determining what a
5 well-designed smart grid program is in order to
6 help customers drive down their bills?

7 A. Yes. I think we're cautiously optimistic
8 about the potential benefits.

9 Q. And would you also agree that deploying AMI
10 is one part of such an effort?

11 MS. MUNSCH: AMI, being the?

12 MR. RIPPKE: Automated or advanced -- some
13 people use each -- metering infrastructure.

14 Thank you.

15 MS. MUNSCH: And are you -- do the same --
16 what's kind of proposed here or are you speaking in
17 general?

18 MR. RIPPKE: No, in general. I'm not talking
19 about -- actually, there is no AMI pilot proposed
20 in this docket. I was talking about in general.

21 THE WITNESS: Yeah, along with associated policy
22 changes to make sure that customer protections for

1 things like disconnection and other issues were
2 resolved.

3 BY MR. RIPPPIE:

4 Q. Only -- just to be clear, only -- you keep
5 mentioning disconnection. Only a small number of
6 customers are going to be affected by
7 disconnection?

8 A. That's correct.

9 Q. The main impetus to driving down the cost
10 to customers as a whole is going to be getting a
11 well-designed program in place and getting the
12 right rate policies in place, right?

13 A. That's right.

14 Q. Would you accept that some investments that
15 actually increase costs to customers are worth it
16 in the sense that there is greater benefit to those
17 customers than the cost?

18 A. If -- it depends on how the benefits flow
19 to the customers, I think, Mr. Rippie.

20 It could be that the costs to the
21 customer -- actually, the total costs to the
22 customer actually don't go up, but the distribution

1 cost went up, if that's -- that's possible.

2 Q. Okay. I'll accept that.

3 Is it also possible that there are some
4 things that are worth it to customers even if they
5 increase their total costs?

6 A. I think it's -- it's possible.

7 There are -- you know, we continually
8 talk about reliability issues and the social value
9 of reliability, which is sort of outside of any
10 customer's individual bill. And I think there are
11 debates around the margin there you can -- I could
12 agree with.

13 Q. So would you agree then that we wouldn't
14 want the only test of customer benefit to be
15 reducing the bill?

16 A. That's correct. That may send more
17 incentive to the utility actually to slash and burn
18 services that would otherwise be beneficial, and I
19 think we talked about that in the metric section of
20 my direct testimony.

21 Q. We might beat 40 minutes here. Let's talk
22 about testing for a moment.

1 Now, you -- would you agree with me that
2 the kind of alt reg concept that you have laid out
3 in your testimony has never been implemented in the
4 United States?

5 **A.** I believe that's correct.

6 **Q.** And you cite in your testimony an
7 exploratory discussion by the British OFGEM,
8 O-F-G-E-M. And now I'm going to ask you, what does
9 that stand for?

10 **A.** Office of Gas and Electricity Management.

11 **Q.** Which is their equivalent of sort of an
12 uber FERC, right?

13 **A.** Yeah. It's a FERC that has a little more
14 broad, sweeping authority than the FERC.

15 **Q.** There is an idea that you discuss that's
16 being floated by OFGEM that's in the discussion and
17 initial exploratory stages in England; is that
18 correct?

19 **A.** Yeah, the RIIIO model.

20 **Q.** Correct.

21 **A.** They've actually published subsequent
22 documents concerning that model, too. A little

1 more specific detail.

2 Q. And is it also true that it is the
3 intention of Great Britain, if they decide to
4 proceed to explore that model further, to roll it
5 out in stages?

6 MS. MUNSCH: The intention of Great Britain?

7 MR. RIPPIE: Of OFGEM.

8 MS. MUNSCH: I mean, I guess I would object to
9 that. He can answer to the extent he has
10 understanding of what their intention is, but --

11 MR. RIPPIE: If he doesn't, I'm -- I'll move on.

12 MS. MUNSCH: Just clarifying.

13 THE WITNESS: I'll agree with that.

14 There are -- generally, the intention
15 that's stated is there's a transitory plan for
16 those programs.

17 BY MR. RIPPIE:

18 Q. And is that consistent with a
19 recommendation that you would make to the
20 Commission here, that before you do something
21 radically different, it's worth piloting?

22 A. With exceptions, generally, yes.

1 **Q.** What would the exceptions be?

2 **A.** Well, you know, I think we -- we have some
3 philosophical arguments or philosophical
4 disagreements with piecemeal changes in the
5 regulatory structure.

6 Now, if you're talking about
7 technologies, absolutely, I think they should be
8 piloted. But the -- changing the fundamental
9 nature of regulation and doing it in a more
10 piecemeal fashion is sort of, I think, concerning
11 to CUB and to me, personally.

12 **Q.** To be clear, if something like RIIO --
13 R-I-I-O, correct?

14 **A.** Yes.

15 **Q.** That's the British OFGEM idea -- were to be
16 implemented here, it would be your recommendation
17 to the Commission that it should be flash-cut and
18 that all of the delivery services should be
19 provided under that model?

20 MS. MUNSCH: Flash-cut?

21 MR. RIPPIE: Flash-cut.

22 MS. MUNSCH: What do you mean?

1 THE WITNESS: No, I don't believe so.

2 I think that there's -- because there is
3 a vision for where the industry is going in the
4 next decade, I think it does make sense to move
5 incrementally towards that vision, but you have to
6 have a vision.

7 BY MR. RIPPIE:

8 Q. Now, your testimony also talks about two
9 specific -- actually, several specific provisions
10 of Section 9-244 of the Act. And I understood that
11 to be your opinion, your view as an experienced
12 policy-maker, not as a lawyer, right?

13 A. That's correct.

14 Q. And I'm going to ask you some questions
15 about it. And will you take my questions to also
16 be soliciting your opinion as the expert witness
17 from CUB on this subject and as a policy-maker, not
18 as a lawyer?

19 A. Yes.

20 Q. Okay. Would you look at Pages 6 to 7 of
21 your direct, Lines 180 -- I'm sorry, 128 through
22 133.

1 Now -- and go ahead and just sort of
2 glance at that and tell me when you've reviewed it
3 so that it's -- the concepts are fresh in your
4 mind.

5 **A.** Okay.

6 **Q.** Now, would you agree with me that ComEd
7 proposes to impose certain charges under Rate ACEP,
8 A-C-E-P, the alternative regulation rate that has
9 been proposed here by the Company -- that ComEd
10 proposes to impose charges under Rate ACEP that
11 reflect specific investments that it proposes the
12 Commission approve in this docket?

13 **A.** Yes.

14 **Q.** And those investments are not proposed in
15 ComEd's current pending general delivery services
16 rate case, Docket 10-0467; is that correct?

17 **A.** That's correct. That's my understanding of
18 those.

19 **Q.** And putting aside the smart grid feature of
20 the alt reg proposal in this docket, which is
21 future -- forward-looking, the projects that would
22 actually begin in short order are the

1 underground -- urban underground facility
2 reinvestment project, the utility electric vehicle
3 project, and a low-income assistance program; is
4 that right?

5 **A.** Yes.

6 **Q.** Now, on Page 7, Lines 132 to 133, of your
7 testimony, you quote a portion of Section
8 9-244(b)(1) where you say that the amounts shown
9 all represent higher charges to customers rather
10 than, quote, rates lower than otherwise would have
11 been in effect under traditional rate of return
12 regulation, close quote, excluding the footnote --

13 **A.** Yes.

14 **Q.** -- is that -- would you agree that a more
15 complete quotation of 9-244(b)(1) would be that the
16 requirement of an alt reg program is that it is,
17 quote, likely to result in rates lower than
18 otherwise would have been in effect under
19 traditional rate of return regulation for the
20 services covered by the program?

21 **A.** And consistent with the provisions of
22 9-244(1) (sic), yes.

1 **Q.** Right.

2 **A.** That's correct. That's the full statement.

3 **Q.** But the latter phrase "consistent with the
4 other provision of the statute" hasn't been
5 contested by any party in this case, right? It's
6 been a nonissue.

7 **A.** That's right.

8 **Q.** And you would agree with me that UUFR, the
9 urban underground facility reinvestment program,
10 the EV pilot, and the low-income programs are not
11 in current rates, right?

12 **A.** That's correct.

13 **Q.** Now, let's look at your rebuttal at Page 5,
14 please, Lines, roughly, 79 through 81. And we are
15 going to beat the 40 minutes.

16 You testified there that the proposal,
17 in your review, is, quote, not likely to result in
18 substantial and identifiable benefits that would be
19 realized by customers served under the program that
20 would not be realized in the absence of the
21 program, close quote.

22 By "the program" there, you mean the

1 entirety of the alt reg program, including all
2 three of those individual programs that I just
3 mentioned, right?

4 **A.** Yes.

5 **Q.** Do you agree that -- well, strike that,
6 please.

7 Is it -- do you have a position on
8 whether ComEd's low-income program would benefit
9 customers?

10 **A.** I don't think we address that in testimony.

11 **Q.** Do you have a position as to whether
12 ComEd's underground urban facility relocation
13 program benefits customers?

14 **A.** Another program we didn't address in the
15 testimony.

16 **Q.** Did I say relocation? I meant to say
17 reinvestment.

18 Same answer?

19 **A.** Yes, same answer.

20 **Q.** And is it true that you also have not taken
21 a position on whether the utility electric vehicle
22 pilot benefits customers?

1 **A.** That's correct.

2 **Q.** At Page 8, Line 166, you testify that,
3 ComEd selected programs that will bring the
4 greatest returns to the Company; is that correct?

5 **A.** That's correct.

6 **Q.** Okay. Now, you have no personal knowledge
7 of why ComEd selected the programs it did; is that
8 right?

9 **A.** Yeah, I was not in the room when ComEd
10 selected the programs.

11 **Q.** So you're just making an inference from
12 your opinion as to what returns those projects will
13 bring to the Company?

14 **A.** That's correct.

15 **Q.** And could you explain to me how ComEd's --
16 well, let me try the question a different way.

17 ComEd -- does ComEd propose to earn any
18 return on its low-income program?

19 **A.** You know, I don't have the program in front
20 of me, Mr. Rippie. I haven't looked at it in a
21 while.

22 You know, we can talk about the other

1 programs. The low-income program, I'm not familiar
2 with the specific details of about how the costs
3 are recovered.

4 Q. Sure.

5 Would you accept, subject to check, that
6 the low-income program is a pure pass-through and
7 ComEd proposes to earn exactly zero on it?

8 A. I'll accept that.

9 Q. And with respect to the UUFR program and
10 the EV program, is it true that under Rate ACEP,
11 the base -- the rate of return is the same rate of
12 return as established in ComEd's most recent rate
13 case?

14 A. That's correct.

15 MR. RIPPIE: That's all I have.

16 Thank you.

17 MS. MUNSCH: Can we just have a second, your
18 Honor?

19 JUDGE HAYNES: Sure.

20 (Pause.)

21 MS. MUNSCH: We actually do have just a couple
22 of questions on redirect.

1 JUDGE HAYNES: Go ahead.

2 REDIRECT EXAMINATION

3 BY

4 MS. MUNSCH:

5 Q. Mr. Thomas, Mr. Rippie had asked you and
6 you explored with him a discussion a little bit
7 about the prudence standard, and you agreed on a
8 common definition of prudence that discussed using
9 the available evidence at the time that the
10 decision was made as part of a prudence review.

11 And you discussed with him a little bit
12 that the prudence review, that, in your
13 understanding, occurs at a traditional regulation
14 and that which would occur under an alternative
15 regulation.

16 Could you explain a little bit how the
17 same standard would be applicable in both
18 situations, since you and Mr. Rippie agree the
19 timing of those decisions will be different?

20 A. Sure.

21 In a traditional rate case when the
22 Commission allows assets into rate base, they look

1 at both the decision to go forward by the Company
2 and how that decision was implemented.

3 What the Company's requesting under
4 alternative regulation is to receive preapproval on
5 going forward with the project, and then the
6 prudence review at the end would only be
7 the implementation decision -- only be concerning
8 the implementation.

9 **Q.** And then secondly, at the end there, you
10 and Mr. Rippie discussed a little bit about your
11 position regarding Great Britain's potential
12 adoption or, I guess, intended adoption of the
13 RI- -- RIIO framework. And you discuss with him
14 the differences in, I guess, what we'll call
15 piloting regulations strategies.

16 Would it be correct to say that you
17 agree that piloting a regulation strategy would be
18 appropriate?

19 **A.** I think -- if I could put some context
20 around it -- yes, in the context of a sweeping
21 change of the entire regulatory structure.

22 The RIIO model is regulation, with

1 incentives for investment focused on output. So
2 it's a change from a regulatory model that looks
3 only at the inputs into the utility business and
4 focuses on the outputs that customers see. So more
5 efficiency, more demand response.

6 And that's a broad, sweeping change in
7 the entire regulatory compact that would require
8 some sort of incremental steps and some piloting,
9 whereas I think what ComEd has proposed here is
10 more of a piecemeal approach to three projects
11 without a pure vision, in my opinion.

12 MS. MUNSCH: That's all that we have.

13 MR. RIPPKE: I can't resist.

14 REXCROSS-EXAMINATION

15 BY

16 MR. RIPPKE:

17 Q. Would you agree with me, though, that the
18 Illinois Commerce Commission has -- I'll use the
19 word, repeatedly piloted much less sweeping changes
20 than the RIIIO framework would be?

21 A. I think so. And I also think the courts
22 have intervened in some of those cases as well,

1 Mr. Rippie. So I think it's --

2 Q. Let me toss just a couple examples out
3 without taking a long time.

4 Rider CB was first -- consolidated
5 billing was first implemented as a pilot program in
6 the 1990s, wasn't it?

7 A. That sounds correct.

8 Q. RTP was first implemented as an
9 experimental rate in the late '90s, wasn't it?

10 A. Yes.

11 Q. AMI is being implemented as a
12 Commission-approved pilot, isn't it?

13 A. It is.

14 MR. RIPPIE: Okay.

15 MS. MUNSCH: I have one follow-up question if
16 I --

17 MR. RIPPIE: Oh, I was going to throw out --

18 MS. MUNSCH: Go ahead.

19 BY MR. RIPPIE:

20 Q. -- how about the decoupling in the Peoples'
21 case. That was a pilot, too, right?

22 A. Yeah, it was framed as a pilot. That's

1 right.

2 MR. RIPPKE: Okay.

3 Thanks.

4 FURTHER REDIRECT EXAMINATION

5 BY

6 MS. MUNSCH:

7 Q. And my follow-up is simply, Mr. Thomas, are

8 you aware of regulatory positions that was piloted

9 most recently? Were those inside the traditional

10 regulation framework under 9-201 or were

11 those outside in terms of 9-244?

12 A. They were in 9-201.

13 MS. MUNSCH: Thanks.

14 MR. RIPPKE: Thank you.

15 JUDGE HAYNES: Thank you, Mr. Thomas.

16 THE WITNESS: Thank you.

17 MR. FOSCO: ComEd's ready to call Miss Blaise to

18 the stand.

19 JUDGE HAYNES: Okay.

20 (Discussion off the record.)

21 JUDGE HAYNES: I have it, but that's okay.

22 You filed it on e-Docket, correct?

1 MR. BERNET: Can I ask you how you would like to
2 do cross exhibits?

3 You want three copies? Do you want two
4 copies? How do you want to handle it?

5 JUDGE HAYNES: The clerk's office says we have
6 to have three hard copies.

7 MR. FOSCO: These were filed on e-Docket, but I
8 can --

9 JUDGE HAYNES: Okay. I'll take them.

10 Good morning.

11 THE WITNESS: Good morning.

12 JUDGE HAYNES: Miss Blaise, please raise your
13 right hand.

14 (Witness sworn.)

15 JUDGE HAYNES: Thank you.

16 MICHELLE BLAISE,
17 called as a witness herein, having been first duly
18 sworn, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY

21 MR. FOSCO:

22 Q. Miss Blaise, would you please state your

1 record -- your name for the record and spell your
2 last name?

3 **A.** My name is Michelle Blaise. Last name is
4 spelled B-l-a-i-s-e.

5 **Q.** And can you please state your place of
6 employment and position?

7 **A.** I am employed at Commonwealth Edison. I
8 currently am vice president of engineering and
9 project management. My business address is Two
10 Lincoln Center, 10th Floor, Oakbrook Terrace,
11 Illinois 60181.

12 **Q.** Did you prepare a written testimony for
13 purposes of this proceeding, Miss Blaise?

14 **A.** Yes, I did.

15 **Q.** Okay. Do you have in front of you what has
16 been marked for identification as ComEd Exhibit 4.0
17 entitled Direct Testimony of Michelle Blaise
18 consisting of a cover page, table of contents and
19 17 pages of questions and answers?

20 **A.** Yes.

21 **Q.** Is this document a true and correct copy of
22 the direct testimony that was prepared by you or

1 your direction and control?

2 A. Yes, it is.

3 Q. Do you have any corrections or edits to

4 this testimony?

5 A. No, I do not.

6 Q. If I were to ask you the questions set

7 forth in ComEd Exhibit 4.0 today, would your

8 answers be as set forth therein?

9 A. Yes.

10 MR. FOSCO: Your Honor, at this time, I'd move

11 for admission of ComEd Exhibit 4.0 and tender

12 Miss Blaise for cross-examination.

13 JUDGE HAYNES: Was this testimony filed on

14 e-Docket?

15 MR. FOSCO: Yes, it was, your Honor, on

16 August 31, 2010.

17 JUDGE HAYNES: Thank you.

18 Okay. Cross?

19 CROSS-EXAMINATION

20 BY

21 MR. JENKINS:

22 Q. Miss Blaise, my name's Alan Jenkins. I

1 represent The Commercial Group.

2 Good morning.

3 A. Good morning.

4 Q. Could you turn to Page 10 of your
5 testimony, Exhibit 4.0.

6 On the top of the page from Line 147,
7 you describe the type of work that would be done
8 under the UUFR program, if cable or cable support
9 systems fail inspection or testing. You seem to
10 describe here three levels of work which might be
11 done, and correct me if I'm wrong about that.

12 First, you might be able to replace the
13 cable simply by cutting the old cable and replacing
14 it with new cable through the existing conduit. Is
15 that the first type?

16 A. That's correct.

17 Q. Okay. And the second type of work, you
18 might need to repair the manhole before replacing
19 the cable; is that correct?

20 A. The manholes may be -- may need to be
21 replaced. That does not necessarily require the
22 cable to be replaced.

1 So we'll be looking at -- the program is
2 looking at the infrastructure. In some cases, it's
3 the infrastructure and not always the cable and
4 infrastructure.

5 **Q.** Okay. And just so I'm sure I understand,
6 on Line 150, you say there, In some cases, however,
7 manhole structural repairs may be necessary.

8 And then in what appears to be a third
9 category from Line 152, you say, Manholes may have
10 to be rebuilt or replaced.

11 And what I'm wondering, can you describe
12 briefly what's the difference between manhole
13 structural repairs and the rebuilding or
14 replacement of the manholes?

15 **A.** The structural repairs may be -- may
16 include, but not limited to, the cable support on
17 the -- so -- on the manholes, on the walls, we have
18 channels in the supporting structure for the
19 cables. Those may need to be replaced based on
20 some condition.

21 There may be some repair work from the
22 cable, if the manhole itself breaks, et cetera,

1 that won't necessarily require the entire manhole
2 to be replaced.

3 Q. Okay. Now, of the three levels of work
4 that you've described, what percentage of the UUFR
5 replacements would you estimate would fall into
6 each level?

7 A. I will -- the percentage in terms of
8 percentage of dollars, that's provided in our
9 testimony -- my testimony on Page 15 of 17 for what
10 we're proposing where we detail the \$45 million
11 that we expect to spend on the program, the
12 different components of the program. 22.8 million
13 on manhole-related work, infrastructure work; for
14 testing, 400,000; replacement of cable, 21.9
15 million.

16 Q. Thank you.

17 And then for the O&M expenses, is it --
18 is the O&M expense that you project there, 15
19 million, is that relatively similar per replacement
20 project or does it depend on whether you're
21 replacing the manholes as opposed to just replacing
22 the cable?

1 **A.** The 15 million is the over -- is the total
2 cost.

3 For example, testing is a hundred
4 percent O&M. The rest of the cost is broken down
5 based on our experience of what component of the
6 refurbishment work and cable replacement work we've
7 done, how much of that ends up being O&M and
8 capital.

9 **Q.** Okay. Now, the 45 million seemed like a
10 fairly round -- round number. How did you come up
11 with that figure?

12 **A.** What we -- we looked at the -- given the
13 time of the program, given our current backlogs and
14 we laid out -- given what we know in terms of the
15 existing infrastructure, if we were to lay this out
16 on a 15-year program to replace, repair all known
17 issues, this is the annual -- the annual spend
18 would be approximately 30 million.

19 So it's -- over an 18-month, the first
20 six months would be the first 15 million and then
21 30 million the second 12 months.

22 **Q.** Okay. Now, if I could refer you to the

1 bottom of Page 13 and the top of Page 14, it spills
2 over, lines 225 to 227.

3 And you state that there's only one PILC
4 manufacturing plant remaining open in North America
5 and that this limits ComEd's access to supply.

6 What sources are available to ComEd for
7 the replacement polymer cables?

8 A. There's several sources. I don't have them
9 now --

10 Q. Can you name any of them?

11 A. -- but there's several manufacturers.

12 Q. Any of them?

13 A. Okonite. There's several out there.
14 Okonite is one, offhand.

15 Q. Okay. Now, in the absence of the UUFR
16 program and under ComEd's current replacement cable
17 regime, wouldn't ComEd still replace the PILC cable
18 with polymer cables?

19 A. Currently, yes, we would. We are doing
20 that, though.

21 MR. JENKINS: Okay.

22 Nothing further.

1 CROSS-EXAMINATION

2 BY

3 MS. LUSSON:

4 Q. Good morning, Miss Blaise. My name's
5 Karen Lusson. I'm from the Attorney General's
6 Office. I just have a few questions about your
7 testimony, your direct testimony.

8 Turning to Page 8 of your testimony,
9 Exhibit 4.0, at Line 114, you indicate that if the
10 Commission approves this proposal, ComEd intends to
11 devote an additional \$45 million over 18 months to
12 accelerate UUFR; is that right?

13 A. That's correct.

14 Q. And as I understand it, 30 million would be
15 incremental capital investment?

16 A. Correct.

17 Q. Now, turning to the next page where you lay
18 out the time line for that investment, as I
19 understand the Company's proposal, the work would
20 begin in the third quarter of 2011?

21 A. Yes.

22 Q. Okay. Now, as vice president of

1 engineering and project management, do you
2 regularly participate in ComEd's 12-month-long
3 annual capital budget process?

4 **A.** I do participate in budget planning for the
5 next year, yes.

6 **Q.** Okay. Have you ever advocated in that role
7 for any kind of acceleration of UUFR in the capital
8 budget process?

9 **A.** The -- in our capital planning project --
10 process, we prioritize the work across the system.
11 So there's obviously, in the whole budget process,
12 challenges.

13 We advocate for the work based on the
14 priority when you look at it across all other work
15 that needs to be done.

16 **Q.** Okay. And given that framework, it sounds
17 like you're saying that you look at what the
18 priorities are in terms of reliability or customer
19 needs --

20 **A.** Correct.

21 **Q.** -- and advocate capital addition projects
22 associated with UUFR based on those needs?

1 **A.** Correct.

2 **Q.** So given that, have there ever been any
3 years where you've -- as part of the proposal to
4 the Company's board of directors and all of the
5 levels that go up through the capital budget
6 process, have you advocated for, beyond that which
7 you've described, any kind of an acceleration?

8 **A.** We have -- I have.

9 **Q.** And has the acceleration been in line with
10 the kind of proposal you have here or to a lesser
11 degree?

12 Can you elaborate?

13 **A.** Well, I don't have the information. So
14 we -- I participated in these types of budget
15 planning processes for the last three to five --
16 about five years.

17 **Q.** Hm-hmm.

18 **A.** So depending on our assessment of what the
19 programs of work are, it has been at this level; it
20 has been more. It has been less as well.

21 Ultimately, at the end of -- it's -- so
22 what our -- when we prioritize everything else,

1 what we spent and what we continue to spend is --
2 reflects the priority of the work.

3 Q. Okay. And I guess just to make clear, my
4 question goes to beyond the priorities, has there
5 been a discussion that you've led that suggested
6 that for all of the reasons you identify in your
7 testimony, that is, the benefits that might be
8 associated with an accelerated UUFR, have you made
9 that kind of proposal in the capital budget
10 process?

11 MR. FOSCO: Your Honor, I'm going to object. I
12 think that was asked and answered.

13 JUDGE HAYNES: Response?

14 I think it's a slightly different
15 wording; but if you can answer it, go ahead.

16 THE WITNESS: If -- have I advocated for more
17 than what we currently spend; is that your
18 question?

19 BY MS. LUSSON:

20 Q. For an acceleration that is not designed
21 necessarily to beat -- to meet the kinds of
22 customer needs and reliability needs that we've

1 been discussing, but an actual acceleration, sort
2 of the kind of proactive acceleration that I
3 understand your testimony to be advocating.

4 **A.** Right.

5 **Q.** Has that been a part of any past capital
6 budget proposal?

7 **A.** Sure. Yes.

8 **Q.** And was it ever accepted by the ComEd board
9 of directors or Exelon board of directors?

10 **A.** Well -- so it hasn't -- what we ultimately
11 come up to in terms of what we propose for budget
12 purposes is based on all the priorities.

13 So I've always advocated to do more of
14 this --

15 **Q.** Hm-hmm.

16 **A.** -- if this was alone and single, that's all
17 we had to spend our money on, I'd want to do more.
18 But there are other priorities that we need to
19 balance.

20 **Q.** Okay. So those -- those prior requests for
21 acceleration in line with the test- -- the kind of
22 acceleration that you discuss in your testimony

1 have been rejected due to other capital budget
2 needs?

3 **A.** Correct.

4 **Q.** Now, has the 30 -- the specific 30 million
5 in capital additions that's included in your \$45
6 million request in this docket, has that -- that
7 capital addition request gone through the Company's
8 annual 12-month-long capital budget process in the
9 past year?

10 **A.** This has not.

11 **Q.** And if you can state on average -- I
12 understand your testimony to be that it's as -- the
13 amount approved as capital additions for
14 underground facilities replacement has fluctuated
15 in prior years.

16 Can you indicate on average what that
17 amount might be -- might have been in your
18 experience?

19 MR. FOSCO: Counsel, do you have a reference to
20 her testimony? The question seems vague -- sounds
21 like you're referring to a specific statement in
22 her testimony.

1 BY MS. LUSSON:

2 Q. I think I'm referring to a prior answer
3 where Miss Blaise indicated that she'd been
4 involved in capital budget process for underground
5 facility replacement in, I think, the past five to
6 seven years, did you say?

7 A. Three to five years.

8 Q. Three to five years?

9 And my question is, on average, can you
10 indicate what amount in terms of just capital
11 additions have been proposed associated with
12 underground facilities replacement?

13 A. It -- to the extent that I don't have that
14 information in front of me, it'd be difficult for
15 me to give you an average number.

16 Q. Is it generally, if you know, less than
17 5 million?

18 A. It's generally what -- what we have spent
19 in the last three years in this type of program. I
20 think we've stated it here in my testimony. It's
21 approximately \$5 million.

22 Q. And does that include operation and

1 maintenance expense or is that just the capital
2 additions portion of...

3 **A.** Let me get to it.

4 **Q.** I think on Page 6 of your testimony, is
5 that Line 91?

6 **A.** All right. So we -- we spent approximately
7 \$2 million per year in the testing and replacement
8 component of the program and about \$5 million a
9 year in the replacement and refurbishment part of
10 the program.

11 **Q.** And so of those amounts, would the
12 5 million be actual capital additions that have
13 gone through the budget process annually or the
14 2 million?

15 **A.** It's -- there -- it's -- the 5 million is
16 split between capital and expense.

17 **Q.** Okay.

18 **A.** And so is the 2 million, because the
19 2 million is both testing and replacement for those
20 that failed.

21 **Q.** Now, I think you just indicated that the 30
22 million cap add proposal in this document did not

1 go through the annual cabinet budget -- capital
2 budget process; is that right?

3 **A.** No, it has not.

4 **Q.** Is it correct to assume then that if the
5 alt reg plan is approved, then the UUFR capital
6 additions that would be recovered through Rate ACEP
7 would not -- would continue to not go through the
8 Company's capital budget process?

9 **A.** I can't answer that question. I'm not sure
10 how that would go.

11 **Q.** Okay. And one final question; and that is,
12 do you -- is the Company's proposal to continue the
13 UUFR -- accelerated UUFR investment beyond fourth
14 quarter 2012?

15 **A.** That would be -- I could talk for myself.
16 Yeah, I'm going to continue this program of work.
17 It's accelerated investment as it provides benefits
18 to customers and our system reliability.

19 **Q.** And is that a specific part of this
20 proposal, that it would continue or that it
21 would -- on an annual basis, it would be
22 reevaluated?

1 **A.** I think what we're proposing is an 18-month
2 pilot, and I think the assessment of the pilot will
3 tell us how we want to continue going forward.

4 MS. LUSSON: Thanks very much, Miss Blaise.

5 JUDGE HAYNES: Redirect?

6 Redirect?

7 MR. FOSCO: Yes, your Honor. Just a few quick
8 questions.

9 REDIRECT EXAMINATION

10 BY

11 MR. FOSCO:

12 **Q.** Miss Blaise, do you recall that Mr. Jenkins
13 was asking you about the difference between, I
14 believe, repairing or replacing components in a
15 manhole and changing or putting in a new manhole
16 system, and you referred to certain cable supports
17 and brackets?

18 If you look at Page 5 of your testimony,
19 is that a picture of the type of equipment you were
20 referring to?

21 **A.** Yeah. On the lower left corner are the
22 types of brackets and saddles that support the

1 cable.

2 Q. So that -- I don't have a color picture,
3 but what appears white in this picture is actually
4 the --

5 A. That's the saddle that the cable sits on.

6 Q. Okay.

7 A. And then the metal sort of piece under it
8 is the bracket.

9 Q. Okay. And does this conduit tend to have
10 movement as it operates and as temperatures
11 increase --

12 A. Right.

13 Q. -- and decrease?

14 A. As loading increases, it tends to move,
15 yes.

16 Q. Okay. And is that why they sometimes need
17 to be replaced, because they wear out or move off
18 the bracket?

19 A. They move. The bracket falls apart. The
20 bracket may fall -- I'm sorry, the saddle may fall
21 off the bracket, and then you have the cable
22 sitting on the metal bracket and that tends to

1 exacerbate deterioration of the cable.

2 **Q.** Okay. And Mr. Jenkins also had a question
3 for you about how you -- or how ComEd developed the
4 \$45 million budget.

5 Do you recall that?

6 **A.** Yes.

7 **Q.** Can you refer to Page 15 of -- 17 of your
8 testimony. And at Lines 262, there's a reference
9 to the costs for this work being just over 49
10 million. Do you see that?

11 **A.** Right.

12 **Q.** Can you explain the relationship between
13 the 49 million and the 45 million?

14 **A.** What we -- when we laid out the program,
15 the total cost over the 18-month period would be 49
16 million.

17 What we did was we assumed that there
18 would be some productivity gains from having a
19 known program of work, some potential supply
20 reduct- -- cost reductions, and as well as work
21 management and execution efficiencies, and so we --
22 based on that, we assumed -- we took that program

1 of work to 45 million.

2 So the total cost is 49 based on current
3 costs. Taking in all these other factors is how we
4 price it to 45 million.

5 MR. FOSCO: Thank you.

6 No more redirect, your Honor.

7 JUDGE HAYNES: Recross?

8 Okay. Thank you, Miss Blaise.

9 (Pause.)

10 MS. SCARSELLA: Your Honor, ComEd calls Fidel
11 Marquez to the stand.

12 JUDGE HAYNES: Please raise your right hand.

13 (Witness sworn.)

14 JUDGE HAYNES: Thank you.

15 FIDEL MARQUEZ,
16 called as a witness herein, having been first duly
17 sworn, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY

20 MS. SCARSELLA:

21 Q. Mr. Marquez, can you state your name for
22 the record.

1 **A.** Yes. Fidel Marquez, Junior.

2 **Q.** And who are you employed by and what's your
3 business address?

4 **A.** I'm employed by Commonwealth Edison. My
5 business address is One Financial Place, 440 South
6 LaSalle, Suite 3300, Chicago, Illinois.

7 **Q.** And what's your position at ComEd?

8 **A.** I'm employed as a senior vice president for
9 customer operations.

10 **Q.** Now, did you prepare testimony for
11 submittal in this proceeding?

12 **A.** Yes.

13 **Q.** Before you, identified as ComEd
14 Exhibit 3.0, is the direct testimony of
15 Fidel Marquez, Junior. Was this testimony prepared
16 by you or under your direction and control?

17 **A.** Yes, it was.

18 **Q.** Do you have any additions or corrections to
19 your testimony?

20 **A.** No, I do not.

21 **Q.** Is the testimony true and correct, to the
22 best of your knowledge?

1 **A.** Yes, it is.

2 **Q.** If I were to ask you the same questions
3 today as set forth in your testimony, would your
4 answers be the same?

5 **A.** Yes, they would.

6 MS. SCARSELLA: Your Honor, I move for the
7 admission into the evidence of ComEd Exhibit 3.0.

8 JUDGE HAYNES: And what date were these -- was
9 that exhibit filed on e-Docket?

10 MS. SCARSELLA: It was filed on e-Docket on
11 October 31, 2010.

12 JUDGE HAYNES: Is there any objection?

13 Hearing none, ComEd Exhibit 3.0, the
14 direct testimony of Mr. Marquez, is admitted into
15 the record.

16 (Whereupon, ComEd
17 Exhibit No. 3.0 was
18 admitted into evidence as
19 of this date.)

20 JUDGE HAYNES: And let -- I'm not sure if I
21 admitted Blaise's testimony.

22 I did not.

1 Okay. Was there any objection to
2 admitting ComEd Exhibit 4.0?

3 Okay. Both of those exhibits as filed
4 on e-Docket are admitted into the record.

5 (Whereupon, ComEd
6 Exhibit No. 4.0 was
7 admitted into evidence as
8 of this date.)

9 JUDGE HAYNES: Cross?

10 CROSS-EXAMINATION

11 BY

12 MS. LUSSON:

13 Q. Good morning, Mr. Marquez.

14 A. Good morning.

15 Q. My name is Karen Lusson. I'm from the
16 Attorney General's Office.

17 If you could turn to Page 3 of your
18 direct testimony. Now, as I understand your
19 testimony, your testimony is largely a discussion
20 of what ComEd considers to be the benefits
21 associated with AMI projects; is that correct?

22 A. That's correct.

1 **Q.** Now, the pilot of -- the pilot that was
2 approved by the Commission for purposes of
3 installing AMI meters and the customer applications
4 pilot that was a part of that, has that pilot
5 concluded yet?

6 Where do we stand on that?

7 **A.** Yeah, that pilot is still currently, you
8 know, in progress. We're in the process of
9 preparing the final report.

10 **Q.** Okay. And is it correct that that final
11 report is going to be prepared by EPRI, which is
12 E-P-R-I, the Electric Power Research Institute?

13 **A.** EPRI is preparing the part of the report
14 that relates to the customer applications part of
15 the pilot.

16 **Q.** Okay. And then ComEd will issue its own
17 report about evaluating the pilot; is that --

18 **A.** On the operations part of the pilot, Black
19 and Veatch will be preparing that part of the
20 report.

21 **Q.** Okay. Now, as I understand the EPRI
22 report, that final report is due out, is it -- at

1 least a -- is it in March of 2011 that that's due?

2 Do you know when that's scheduled to be issued?

3 **A.** No, I -- I don't recall.

4 I believe the Black and Veatch report
5 will be the one that will be out first. The EPRI
6 report will -- will be performed after a year of
7 customer applications, which is not completed until
8 June. So it'd be sometime after that.

9 **Q.** Okay. And you referenced another report, a
10 Black and?

11 **A.** Black and Veatch is preparing the
12 operations assessment of the pilot.

13 **Q.** Okay. Turning to Page 6 of your testimony.

14 Now, as a part of the proposal in this
15 docket, is it correct that ComEd anticipates an
16 expanded deployment of AMI technology, including up
17 to 190,000 additional meters?

18 **A.** That is correct.

19 **Q.** And along with those meters would be an
20 expanded deployment of customer applications that
21 succeed during the AMI pilot; is that -- and the
22 ones that are found to be cost-beneficial -- is

1 that how that would work?

2 **A.** That's correct.

3 **Q.** Now, how is it that the Company came up
4 with the 190,000 additional meter number, that
5 specific number?

6 **A.** The -- a portion of those meters will be to
7 complete the deployment in the -- what we call the
8 Maywood footprint. That would essentially complete
9 a full smart meter deployment in that part of our
10 service territory. So we would have a complete
11 field office or division with complete AMI. That's
12 about 120,000 meters of the 190.

13 And the other 70,000 meters, we haven't
14 picked a specific area up, but we will, targeting
15 to be installed in Chicago.

16 **Q.** And when you say "Chicago," within the
17 confines of the city limits?

18 **A.** I'm sorry. Within the city limits of the
19 city of Chicago, correct.

20 **Q.** And has a decision been made as to how many
21 residential versus how many commercial?

22 **A.** The mix will -- would depend on the actual

1 mix of customers within that footprint.

2 So if it's a one-square-mile area and
3 it's 80 percent commercial and 20 percent
4 residential, that would be the mix. So it's
5 defined by the actual customer mix within a
6 specific geographic area.

7 **Q.** And would that include industrial customers
8 as well?

9 **A.** Whatever customers would be in that
10 footprint, correct.

11 **Q.** Okay. And has the Company conducted any
12 survey of customers within the Chicago city limits
13 to determine whether this is something customers
14 are willing to pay extra for?

15 **A.** We have not.

16 **Q.** And has the Company conducted any survey of
17 customers within the Maywood footprint to see if
18 they -- these customers are willing to pay an
19 additional amount through Rider ACEP for the
20 meters?

21 **A.** We have not.

22 **Q.** And under the Company's proposal,

1 Rider ACEP would not just apply to the customers
2 within those footprints that you've been talking
3 about; is that right?

4 A. I believe that's correct.

5 Q. So has the Company done any survey of
6 customers in the greater service territory to see
7 if they're willing or interested in paying an
8 additional amount for AMI meters?

9 A. We have not.

10 Q. Now, on Page 7 of your testimony, you
11 indicate at Line 133 that customers will be able to
12 learn more about and better manage their energy
13 use; is that correct?

14 A. That is correct.

15 Q. And there, you're referring to the
16 installation of AMI meters?

17 A. And the -- and the information available
18 through the AMI meters, correct.

19 Q. Now, meters themselves are installed on the
20 outside of customer homes or businesses; is that
21 right?

22 A. Or inside, depending on where their socket

1 is located.

2 Q. Okay. And can the customer look at the AMI
3 meter by itself to determine that customer's
4 incremental usage?

5 A. The -- the readout would look at only the
6 cumulative usage.

7 Q. Okay. And as I understand the way AMI
8 works then, at the Company's -- at
9 Commonwealth Edison, however, the digital meter
10 will provide that kind of incremental usage data to
11 the Company; is that right?

12 A. They will provide it to the Company and
13 also to the customer through some sort of portal.

14 Q. Okay. And referring to those portals, are
15 you referring to, say, a customer's in-home device?

16 A. It could be an in-home device. It could be
17 through the web.

18 Q. Okay. And the web would be the web-based
19 tool that Commonwealth Edison would provide to the
20 customer?

21 A. It would be through -- it could be through
22 a customer's own PC. So it would be simply

1 information on the web.

2 Q. And in order for customers to view the kind
3 of usage and pricing information -- well, first,
4 let me clarify.

5 The meters themselves don't provide any
6 pricing information to the customer, do they?

7 A. The meters do not.

8 Q. And so in order for the customer to view
9 information related to usage and pricing, the
10 customer would need to, for lack of a better term,
11 engage in either the web-based portal or an in-home
12 device; is that correct?

13 A. That is correct.

14 MS. LUSSON: I want to show you what I'll mark
15 as AG Cross Exhibit 1.

16 (Whereupon, AG Cross
17 Exhibit No. 1 was
18 marked for identification
19 as of this date.)

20 BY MS. LUSSON:

21 Q. Mr. Marquez, AG Cross Exhibit 1 is a
22 portion entitled Concluding Remarks from a report

1 that -- technical update report dated
2 September 2010, issued by EPRI, E-P-R-I, the
3 project manager, for purposes of evaluating the
4 customer applications pilot.

5 And that report was titled -- entitled
6 ComEd Customer Applications Program: Objectives,
7 Research Design and Implementation Details.

8 Are you familiar with this report? It
9 was distributed to stakeholders in the monthly
10 calls regarding the updates of the pilot.

11 **A.** Yes.

12 **Q.** So have you seen and reviewed the pages
13 that I've compiled as AG Cross Exhibit 1?

14 **A.** I have.

15 **Q.** Which are the concluding remarks prepared
16 by EPRI?

17 (Pause.)

18 BY MS. LUSSON:

19 **Q.** Oh, I'm sorry.

20 **A.** Yes.

21 **Q.** You are familiar with that?

22 **A.** Hm-hmm.

1 **Q.** Okay. Now, this -- these concluding
2 remarks by EPRI, looking at the bottom of that
3 first page, indicates that there have been some
4 challenges that may have an impact on results we
5 ultimately report from the customer applications
6 pilot.

7 Do you see that at the -- the last
8 sentence of that page?

9 **A.** Yes, I do.

10 **Q.** Now, if you turn the page to 3-36, it
11 indicates that only 21 or 2.8 percent of eligible
12 customers, AIHD/PCTs, have been installed.

13 Now, AIHD refers to advanced in-home
14 device; is that correct?

15 **A.** That is correct.

16 **Q.** And can you describe what those are?

17 **A.** The advanced in-home device is, I'll say,
18 similar to a very simplistic iPad, if you will. It
19 will interact with the web and have other features
20 associated with it.

21 So it's more than just receiving
22 information on the meter.

1 Q. And now, were -- as I understand the pilot,
2 a subset of the customers that participated in the
3 customer applications pilot were offered those
4 advanced in-home devices; is that right?

5 A. There was -- there was a select number of
6 customers offered that, correct.

7 Q. And some were advised about purchasing
8 those and some were given the devices for free or
9 at a discount; is that correct?

10 A. I believe we supplied these devices. I
11 don't recall what the pricing mechanism was.

12 Q. Okay. And do you know if they were given
13 to the customer for free, some of the customers?

14 MS. SCARSELLA: Asked and answered.

15 He already testified he wasn't sure what
16 the pricing mechanisms were.

17 BY MS. LUSSON:

18 Q. Okay. You're not sure?

19 And PCTs there, do you know what that
20 stands for?

21 A. Yeah, these are programmable thermostats.

22 Q. Okay. Now, it indicates that there's been

1 an insufficient number from which to generate
2 statistically significant results regarding the
3 technology's impact on energy efficiency, demand
4 response and load shifting.

5 Now, when it indicates that only 21 were
6 installed, is that another way of saying that of
7 the number of customers who were offered these,
8 only 21 people made the decision to install them
9 and use them?

10 **A.** At the time of this data, that is correct.
11 This is early on in the pilot when this data was
12 taken.

13 **Q.** Okay. And what part of the pilot time line
14 are we talking about here?

15 **A.** This is really in the first three months of
16 the pilot.

17 **Q.** Okay. And now, the next step indicates
18 that only 218 AIHDs have been activated. And,
19 again, AIHD is advanced in-home device, and that's
20 0.9 percent of eligible customers; is that right?

21 **A.** That's correct.

22 **Q.** And it was concluded that this is an

1 insufficient number from which to generate
2 statistically significant results regarding the
3 technology's impact on energy efficiency, demand
4 response and load shifting; is that --

5 **A.** That is correct -- that's correct for
6 the -- for that group of customers alone.

7 **Q.** Now, you indicated this was three months
8 into the pilot.

9 Did -- do you know as sitting here today
10 whether or not the numbers improved on either of
11 those categories, AIHD/PCTs or the individual
12 AIHDs, to amass a statistically significant group
13 of customer uses (sic)?

14 **A.** Yeah, I don't have that data in front of me
15 to answer your question.

16 **Q.** Now, looking at the next bullet item, it
17 says only 297 ComEd.com/SmartTools web site
18 accounts have been created.

19 And ComEd.com/SmartTools web site
20 accounts, is that the computer portal you were
21 discussing earlier?

22 **A.** Yes, that's actually the site where

1 customers can get that information. Correct.

2 Q. And that's something they can pull up on
3 their personal computer?

4 A. That is correct.

5 Q. And it was determined that this was an
6 insufficient number from which to generate
7 statistically significant results regarding the
8 technology's impact on energy efficiency, demand
9 response and load shifting; is that true?

10 A. Correct.

11 Q. Now, this also indicates in the next bullet
12 item that pricing and cost information has not been
13 displaying correctly on the basic in-home device
14 and advanced in-home device, causing several
15 customer complaints with few customers returning
16 the enabling technology to ComEd.

17 And is that your understanding of what
18 occurred?

19 A. That was -- yes, that's correct.

20 Q. Now, if you turn the page to 3-37, one --
21 the last bulleted item indicates a recommendation
22 to slowly deploy technology in the field, first at

1 friendly sites, and slowly expand to additional
2 customers.

3 What do they mean there, if you know, by
4 "friendly sites"?

5 **A.** This would be customers who would accept
6 technology changes.

7 **Q.** And who -- who would those customers be,
8 the people that have registered with the Company or
9 installed the devices?

10 **A.** So these would be typically customers who
11 may be fast adopters of technology. This may be
12 perhaps employees who live in that footprint who
13 could test the technology, as an example.

14 **Q.** And how would the Company know whether
15 people -- whether a site is so-called a friendly
16 site if it has not surveyed people as to whether or
17 not they're interested in AMI?

18 **A.** Oh, while we may not have surveyed, we did
19 have several meetings with municipalities,
20 municipal officials, town halls that they helped
21 coordinate -- they be coordinated with Centers for
22 Neighborhood Technologies to assess, you know,

1 customers' accepting of this new technology.

2 So it was done more in a town hall-type
3 format, for example.

4 **Q.** And was that assessment done as part of
5 this pilot?

6 **A.** That is correct.

7 **Q.** Okay. So that hasn't been done anywhere
8 outside of the context of the pilot, is that right,
9 by ComEd?

10 **A.** Those town hall meetings have only been
11 done within -- where we have the pilot.

12 **Q.** And, again, you haven't employed (sic) --
13 or the Company hasn't deployed any sort of survey
14 of ComEd customers to determine how so-called, for
15 lack of a better term, friendly they are to this
16 kind of new technology?

17 **A.** We have not surveyed certainly in advance
18 of that technology. That hasn't been part of what
19 the pilot consisted of.

20 **Q.** Looking at Page 10 of your testimony, Lines
21 196 through 198. You reference energy savings that
22 can result from AMI deployment. Do you see that

1 there?

2 **A.** Yes.

3 **Q.** Have you done any specific analysis to
4 determine what amount of energy would not be needed
5 to be purchased as a result of the deployment of
6 the additional 190,000 AMI meters?

7 **A.** No, we have not.

8 **Q.** So when you discuss that there, this is to
9 be viewed as a possible benefit of AMI, but not
10 necessarily one that has been documented by the
11 Company?

12 **A.** We haven't given an estimate for it, if
13 that's what you mean.

14 **Q.** And just one more question and that is with
15 respect to the 190,000 AMI meters.

16 Have those -- that specific meter
17 request been a part of the Company's annual
18 12-month capital budget process?

19 **A.** No, it has not.

20 **Q.** And would -- going forward, if Rider ACEP
21 was approved, would any additional AMI meters be a
22 part of the Company's annual budget process

1 request?

2 **A.** To the -- not beyond this 190,000 at this
3 point.

4 **Q.** I'm not sure I understood your answer.

5 So are you saying that if -- if there
6 are additional meters -- let me rephrase the
7 question, make sure I understand.

8 So if there are additional meters
9 requested by the Company through the Rider ACEP,
10 would those additional meters be a part of any
11 capital -- 12-month annual capital budget process
12 or would that be a separate ask outside of the
13 capital budget process?

14 MS. SCARSELLA: Just a point of clarification.
15 You called it Rider ACEP. It's rate.

16 MS. LUSSON: Rate. I apologize.

17 THE WITNESS: To my knowledge, through this
18 docket, only the 190,000 meters are proposed.

19 BY MS. LUSSON:

20 **Q.** Okay. And so they would not be a part of
21 any ongoing capital budget process that is going on
22 now or in 2011?

1 **A.** They would not be, correct.

2 MS. LUSSON: Thanks very much, Mr. Marquez.

3 THE WITNESS: Thank you.

4 MS. LUSSON: And I would move for the admission

5 of ComEd -- or AG Cross Exhibit 1.

6 MS. SCARSELLA: Your Honor, the only -- we

7 wouldn't object, but we would like the whole

8 document for completeness in the record and not

9 just the selected pages.

10 MS. LUSSON: I'd be fine with that.

11 And I actually have two copies here and

12 I will make more and provide those for the record.

13 JUDGE HAYNES: Okay. So if you get three more

14 copies to the court reporter, and then AG Cross

15 Exhibit 1 is admitted.

16 (Whereupon, AG Cross

17 Exhibit No. 1 was

18 admitted into evidence as

19 of this date.)

20 MS. SCARSELLA: Can we have just a minute for

21 redirect?

22 JUDGE HAYNES: Sure.

1 MR. GOWER: Your Honor, I'm Ed Gower. I
2 represent Metra. I wasn't listed to ask any
3 questions, but I do have a couple of questions in
4 light of the examination that just occurred.

5 MS. SCARSELLA: Sure.

6 JUDGE HAYNES: Okay.

7 MR. GOWER: I haven't entered my appearance in
8 the record yet. I'm Ed Gower. I represent Metra.
9 Hinshaw and Culbertson, 400 South Ninth, Suite 200,
10 Springfield, Illinois 62701.

11 CROSS-EXAMINATION

12 BY

13 MR. GOWER:

14 Q. Mr. Marquez, you just heard me introduce
15 myself for the record. I'm Ed Gower. I represent
16 Metra. Nice to meet you.

17 A. Nice to meet you, sir.

18 Q. I was a little confused. You just
19 indicated that there are 190,000 AMI meters --
20 unless I misunderstood your testimony, you just
21 testified that there are 190,000 AMI meters that
22 were the subject of this docket.

1 Is there, in fact, a proposal in this
2 docket to use Rate ACEP to pay for 190,000 AMI
3 meters?

4 **A.** I'm sorry. It's 190,000.

5 **Q.** 190,000.

6 **A.** Yes.

7 MS. SCARSELLA: Do you have a reference to his
8 testimony? Perhaps that might be helpful.

9 MR. GOWER: I just heard his oral testimony that
10 he said there were 190,000 AMI meters that were the
11 subject of this docket, and I didn't see it
12 anywhere in anybody's testimony that they were the
13 subject of this docket.

14 So maybe I misunderstood.

15 MS. SCARSELLA: Perhaps, again, can you restate
16 your question? I understand...

17 BY MR. GOWER:

18 **Q.** Is it your understanding that there's a
19 proposal in this docket to use Rider -- excuse
20 me -- Rate ACEP to fund 190,000 AMI meter -- an
21 additional 190,000 AMI meters?

22 **A.** You know, on Page 6 of my testimony

1 beginning at Line 106, I indicate that we
2 anticipate the expanded deployment of this AMI
3 technology, including up to 190,000 additional
4 meters.

5 Q. So that I understand your testimony, you
6 contemplate that in the future, Rate ACEP could be
7 used to fund the deployment of an additional
8 190,000 meters. It's not the subject of a pending
9 proposal; is that correct?

10 A. That's correct.

11 Q. Okay. Now, with respect to the 141,000
12 meters that have been installed, do you know how
13 many of those have been installed at CTA or Metra
14 facilities?

15 A. No, it's -- the pilot is down to 131,000
16 meters. I don't know exactly how many have been
17 installed on Metra at this point. I don't have
18 that specific information.

19 Q. Have you read any of the testimony or the
20 final order in Docket 09-0263, which --

21 MS. SCARSELLA: Your Honor, I'm going to object
22 at this point.

1 Mr. Marquez's testimony testifies to the
2 potential benefits, should the Commission extend
3 the pilot. He doesn't specify as to which
4 customers will get what, who have received AMI
5 meters, and what the customer mix will be. It's
6 only to support the potential benefits that --
7 should the expanded pilot be approved by the
8 Commission.

9 MR. GOWER: I was just following up on the prior
10 line of questioning that was questioned where
11 meters have gone and where did they propose to put
12 meters in, and there was also questioning about
13 contacts with customers.

14 And I was just going to follow up that
15 there's testimony in the prior proceeding that the
16 railroad class didn't want, wouldn't use, and
17 didn't want to pay for any additional meters. And
18 I wanted to know if they -- there's testimony in
19 the other docket that they put six in. I was just
20 going to ask him, did he read that testimony, are
21 there any other classes that have expressed the
22 same concerns, and has he talked to anybody from

1 the railroad class.

2 MS. SCARSELLA: The way Mr. Gower has phrased
3 it, this seems to be an issue in the rate case and
4 not this proceeding.

5 JUDGE HAYNES: I guess I'm having trouble seeing
6 the relevance to a possible future AMI pilot.

7 MR. GOWER: Well, your Honor, I'm a little
8 confused about this witness's testimony.

9 It seems to me that there's -- the issue
10 in this proceeding concerns electric vehicles and
11 accelerated underground improvements, cable
12 improvements and low income. And he's just -- and
13 his testimony has opened the door to future use of
14 this program to fund smart grid improvements, and
15 he's specifically identified 191,000 (sic) AMI
16 meters that is proposed for use for this rate.

17 And if that's what's behind this
18 proceeding, I think we ought to be entitled to go
19 into it.

20 MS. SCARSELLA: Your Honor, you are --

21 MR. GOWER: You know, I'll abide by your ruling,
22 but that's -- it seems to me they've opened the

1 door. And if that's what this proceeding is really
2 about, we ought to be able to inquire into it.

3 MS. SCARSELLA: I suggest he read Dr. Hemphill's
4 testimony, which sets forth ComEd's proposal in
5 this proceeding.

6 And ComEd is seeking a recovery
7 mechanism, should the Commission decide to extend
8 the AMI pilot. There is no formal budget here.
9 There is no formal proposal. It's only a recovery
10 mechanism, unlike the EV pilot.

11 So, again, I think Dr. Hemphill's
12 testimony sets forth very clearly what ComEd's
13 proposal is in this proceeding, and Mr. Marquez's
14 testimony is only offered to support the recovery
15 mechanism, should the Commission decide to extend
16 the pilot.

17 MR. GOWER: So if I understand the argument, it
18 is we only propose three specific projects, but
19 it's going to be used for AMI. This witness has
20 offered testimony as to what those -- what those --
21 what that AMI proposal would be, but we're not
22 supposed to inquire into it, even though it's in

1 his testimony.

2 MS. SCARSELLA: Your Honor, to the extent that
3 Mr. Marquez knows, if Mr. Gower would feel better
4 answering his -- asking his questions.

5 MR. GOWER: I'm prepared to stop, your Honor.
6 If AMI's not -- if smart grid and AMI has nothing
7 to do with this proceeding, I'll stop this line of
8 questioning.

9 If, on the other hand, it's a precursor
10 for it, we might as well go into it.

11 JUDGE HAYNES: And I've lost sight of what your
12 question was, but at one point, you said, has --
13 has the Company surveyed Metra.

14 MR. GOWER: Yes.

15 JUDGE HAYNES: If that's the question, I'm okay
16 with that.

17 BY MR. GOWER:

18 Q. Have you talked to anybody at Metra or at
19 the CTA concerning the six meters that were
20 installed at their facility?

21 A. I have not.

22 Q. Have you talked to anyone at Metra and the

1 CTA about their --

2 JUDGE HAYNES: But now, see, you've gone back to

3 the current pilot, and --

4 MR. GOWER: I was just going to ask about their

5 interest in receiving future meters and their

6 ability to use future meters.

7 JUDGE HAYNES: Okay.

8 MR. GOWER: Was my next question. So you

9 anticipated my question.

10 JUDGE HAYNES: Okay.

11 THE WITNESS: I'm sorry. What was the question?

12 BY MR. GOWER:

13 Q. Have you talked to anybody at Metra and the

14 CTA about their interest in receiving any of the

15 future 191,000 AMI meters that you propose to

16 install and anticipate perhaps using Rate ACEP to

17 fund?

18 A. No, I have not.

19 MR. GOWER: I have nothing further.

20 JUDGE HAYNES: Thank you.

21 Redirect?

22 MS. SCARSELLA: Can we have a moment?

1 JUDGE HAYNES: Sure.

2 MS. SCARSELLA: Thank you.

3 (Recess taken.)

4 MS. SCARSELLA: Your Honor, I just have two

5 questions.

6 JUDGE HAYNES: Okay.

7 REDIRECT EXAMINATION

8 BY

9 MS. SCARSELLA:

10 Q. Mr. Marquez, do you recall when Ms. Lusson

11 asked you about Page 10 of your testimony, in

12 particular, whether ComEd has evaluated -- has

13 quantified the energy savings with respect to the

14 deployment of AMI meters?

15 A. Yes.

16 Q. Does that -- does that -- the fact that

17 ComEd has not quantified that benefit, does that --

18 does that mean that they don't exist?

19 A. No, they do exist. The benefit does exist.

20 Q. Can you explain further how?

21 A. Yes. One of the areas is the -- in terms

22 of unbilled energy, and this is -- relates through

1 continuous usage on the meter.

2 A customer may leave the premise, close
3 their account, but the power stays on. And there
4 may be a time between the next customer actually
5 coming on and actually requesting service when
6 there is energy used in that premise. In that
7 event, there's no one that energy usage between
8 customers gets charged to.

9 So, therefore then, that is an unbilled
10 energy amount that can be realized.

11 **Q.** And one more question.

12 Have -- has ComEd done any surveys once
13 the in-home devices and the equipment have been
14 installed in homes?

15 **A.** We did a post-installation survey for the
16 customers in the AMI footprint pilot.

17 **Q.** And what were the results of those surveys?

18 **A.** We had -- those surveys resulted that over
19 90 percent of the customers surveyed were satisfied
20 with ComEd and the installation of those smart
21 meters.

22 MS. SCARSELLA: I have nothing further.

1 JUDGE HAYNES: Ms. Lusson?

2 RECROSS-EXAMINATION

3 BY

4 MS. LUSSON:

5 Q. Mr. Marquez, with respect to that survey,
6 those were with the customers who chose to install
7 the in-home devices?

8 A. These were all the customers -- these were
9 all the customers who received a smart meter,
10 whether or not they had an in-home device or not.

11 Q. Okay. And how many of the customers that
12 participated in it -- did those surveys go to every
13 single customer that -- or just the customer
14 applications pilot customers?

15 A. No, they went to all the customers who
16 received a smart meter.

17 Q. And how many -- what percentage of
18 customers responded to the survey?

19 A. I don't recall offhand.

20 Q. And were customers given a financial
21 incentive to respond to the survey?

22 A. No, they were not.

1 MS. LUSSON: Okay. Thank you.

2 MS. SCARSELLA: I have nothing further.

3 JUDGE HAYNES: Thank you, Mr. Marquez.

4 THE WITNESS: Thank you.

5 MR. FOSCO: Your Honor, ComEd calls Mr. McMahan
6 to the stand.

7 JUDGE HAYNES: Good afternoon, Mr. McMahan.
8 Please raise your right hand.

9 (Witness sworn.)

10 JUDGE HAYNES: Thank you.

11 MICHAEL B. McMAHAN,
12 called as a witness herein, having been first duly
13 sworn, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY

16 MR. FOSCO:

17 Q. Please state your name for the record and
18 spell your last name.

19 A. Michael B. McMahan, M-c-M-a-h-a-n.

20 Q. I'm sorry.

21 A. Vice president of smart grid technology,
22 ComEd, Two Lincoln Center, Oakbrook Terrace.

1 **Q.** Okay. Mr. McMahan, have you prepared
2 written testimony for this proceeding?

3 **A.** I have.

4 **Q.** Okay. Do you have in front of you what has
5 been marked for identification as ComEd Exhibit 2.0
6 entitled The Direct Testimony of Michael B.
7 McMahan?

8 **A.** I do.

9 **Q.** Okay. Is -- is this document a true and
10 correct copy of the direct testimony that was
11 prepared by you or under your direction and control
12 for this proceeding?

13 **A.** It is.

14 **Q.** And do you have any corrections to that
15 testimony?

16 **A.** I do not.

17 **Q.** Okay. Do you also have in front of you
18 what has been marked for identification as ComEd
19 Exhibit 7.0 entitled The Rebuttal Testimony of
20 Michael B. McMahan?

21 **A.** I do.

22 **Q.** And is this document a true and correct

1 copy of the rebuttal testimony that was prepared by
2 you or under your direction and control for this
3 proceeding?

4 A. It is.

5 Q. Okay. Do you also have -- or do you have
6 any corrections to that document?

7 A. I do not.

8 Q. Do you also have in front of you what has
9 been marked for identification as ComEd Exhibit 9.0
10 entitled The Surrebuttal Testimony of Michael B.
11 McMahon?

12 A. I do.

13 Q. And is that document a true and correct
14 copy of the surrebuttal testimony that was prepared
15 by you or under your direction and control?

16 A. It is.

17 Q. Do you have any corrections to that
18 document?

19 A. I do not.

20 Q. Is the testimony that you provide in ComEd
21 Exhibits 2.0, 7.0 and 9.0 true and correct, to the
22 best of your knowledge?

1 **A.** It is.

2 **Q.** And if I were to ask you today the
3 questions contained in ComEd Exhibits 2.0, 7.0 and
4 9.0, would your answers be the same?

5 **A.** It would.

6 MR. FOSCO: Okay. Your Honor, I move for
7 admission into evidence of ComEd Exhibits 2.0, 7.0
8 and 9.0. These documents were filed on e-Docket on
9 August 31, 2010; December 3, 2010; and January 10,
10 2011, respectively.

11 JUDGE HAYNES: Is there any objection?

12 Hearing none, ComEd Exhibits 2.0, 7.0
13 and 9.0 are admitted into the record.

14 (Whereupon, ComEd
15 Exhibit Nos. 2.0, 7.0 and 9.0
16 were admitted into evidence as
17 of this date.)

18 MR. FOSCO: And we tender Mr. McMahan for
19 cross-examination.

20 MR. BOROVIK: Your Honor, I have a quick request
21 before I begin.

22 I was going to ask several questions of

1 Mr. McMahan, but I wonder if it'd be acceptable for
2 Karen Lusson to also ask a few capital process
3 questions as well.

4 JUDGE HAYNES: ComEd?

5 MR. FOSCO: Is that going to be the demarcation
6 of --

7 MR. BOROVIK: It will be.

8 MR. FOSCO: -- issues?

9 We don't object.

10 JUDGE HAYNES: Okay.

11 MR. BOROVIK: Thank you.

12 CROSS-EXAMINATION

13 BY

14 MR. BOROVIK:

15 Q. Good morning, Mr. McMahan. My name is
16 Michael Borovik and I'm going to ask some questions
17 on behalf of the People of the State of Illinois.

18 First, your title -- current title is
19 VP, smart grid technology, correct?

20 A. That's correct.

21 Q. You previously held the series of positions
22 with increasing responsibility with

1 General Electric; is that correct?

2 A. Yes.

3 Q. I have a few questions that are
4 definitions. I want to ask you the technology and
5 I want you to define the technology. I do this, in
6 particular, because we're going to be talking about
7 these things and I want us to be on the same page.
8 And, in particular, some of these terms, often in
9 discussions, there's misunderstanding of what these
10 terms mean, and these are all terms as I know that
11 are in your testimony.

12 And I'll point to the -- where it is in
13 your testimony. But starting with EV, or electric
14 vehicle, you talk about that throughout your
15 testimony on Page 1.

16 What is an electric vehicle?

17 A. Well, I think you have to broaden that
18 definition to the category of electric vehicle.
19 There's several types of electric vehicles on the
20 road right now.

21 There's hybrid electric --

22 Q. I'm sorry. And I don't mean to interrupt

1 you. Maybe I'll just tell you the definition
2 because you're going to -- my next question is a
3 hybrid. Then the one after that is a plug-in
4 hybrid.

5 A. Yeah.

6 Q. The next question after that is
7 distribution automation.

8 A. Yeah.

9 Q. Distributed generation and smart grid
10 technology. Those are the questions. I'm sorry.
11 Sorry to interrupt.

12 A. So which one do you want now?

13 Q. Electric vehicle. And really just a brief
14 definition.

15 A. Okay. Well, electric vehicle is powered by
16 battery.

17 Q. And a Nissan Leaf would be one type of
18 electric vehicle?

19 A. A Nissan Leaf is a pure electric vehicle.

20 Q. And a hybrid vehicle. You talk about that
21 on Page 3 of --

22 A. Yeah, a hybrid vehicle self-charges through

1 regenerative charging off of the braking system
2 and, oftentimes, has an internal combustion engine.

3 Q. And that would be like a Prius --
4 non-modified Prius?

5 A. Correct.

6 Q. Standard Prius.

7 And a plug-in hybrid?

8 A. A plug-in hybrid can be a -- it's a -- it
9 carries a plug with it. It's the same as a hybrid,
10 but you can also plug it into a socket to charge
11 the battery as well as from the regenerative
12 braking.

13 Q. And distribution automation?

14 A. Yeah, distribution automation covers a wide
15 range of equipment that you can put on the -- on
16 the grid and, functionally, they all serve to
17 automatically sense grid conditions and take
18 corrective actions on their own without human
19 intervention.

20 Q. Is AMI generally considered a part of a
21 distribution automation system?

22 A. It can be, yes.

1 **Q.** Distributed generation?

2 **A.** Distributed --

3 **Q.** Thank you.

4 **A.** -- generation.

5 Distributed generation has a wide range

6 of technologies that can go with it, including

7 batteries, including solar, including wind power.

8 And, typically, it's smaller generation sources

9 used for small -- small geographic areas on the

10 order of a block to maybe a couple square miles.

11 **Q.** If there was a solar panel on a house, that

12 would be distributed generation?

13 **A.** It's distributed generation typically if it

14 can feed back into the grid.

15 **Q.** And assuming it does then, would that also

16 be a part of distribution automation then?

17 **A.** No, that's distribution generation --

18 that's distributed generation.

19 **Q.** So distributed generation, a solar panel

20 that could have the possibility of power going both

21 ways?

22 **A.** Right.

1 **Q.** Back into the grid and in the house also
2 taking power from the grid, but that would not be a
3 part of distribution automation?

4 **A.** Strictly defined, no. But they all work
5 together.

6 **Q.** Okay. And smart grid technology -- and I
7 figure you're the one to ask since that's your
8 title.

9 **A.** Hm-hmm.

10 **Q.** So a smart grid technology, what would be a
11 definition of a smart grid technology?

12 **A.** A smart grid technology, once again,
13 encompasses a wide range of technologies.
14 Microprocessor-based technologies with two-way
15 communications typically is the way we'd talk about
16 it.

17 **Q.** Must it be digital communication?

18 **A.** Yeah, all smart grid is digital.

19 **Q.** And is AMI then a subset or one type of
20 smart grid technology?

21 **A.** Yeah, it's one type of smart grid.

22 The meter, if -- whatever you read, no

1 matter what document you read with smart grid
2 technology, whether you're starting from the home
3 and going back to the substation or whether you're
4 starting from the -- from the meter and going into
5 the home, the nexus of smart grid technology is
6 that smart meter. That's pretty widely accepted.

7 Q. Okay. Now, to your testimony.

8 You talk about the electric vehicle
9 pilot. On Page 3 of your direct testimony --

10 A. Okay.

11 Q. -- you state, It will provide invaluable
12 knowledge to customers and the industry, correct?

13 A. Sure.

14 Q. That's on Line 52?

15 A. Okay. That's correct.

16 Q. So what do you mean by "customers"?

17 A. Well, what we mean customers in the
18 industry is our customers.

19 Q. ComEd customers?

20 A. All customers.

21 We intend to publish a report at the end
22 of this and we believe that will have benefit to

1 ComEd customers as well as others.

2 Q. So any customer?

3 A. Anybody.

4 Q. Any customer that would be interested in
5 this technology?

6 A. Right.

7 Q. So -- all right. And then when you state
8 "in the industry" --

9 A. Hm-hmm.

10 Q. -- does that mean industrial customers
11 and --

12 A. Fleet applications.

13 Q. Fleet applications. Okay.

14 So a taxicab service --

15 A. Sure.

16 Q. -- could be -- okay.

17 You state this proposal will provide
18 knowledge of EV life cycle costs and operational
19 considerations that would be valuable in the
20 operation of our own utility fleet as well to
21 customers considering adoption of EVs, correct?

22 A. Correct.

1 Q. And that's --

2 A. What line is that?

3 Q. -- that confirms what you just said.

4 It's Line 61 and 62.

5 A. Okay.

6 Q. Page 3.

7 A. That's correct.

8 Q. Okay. Now, looking at your current

9 fleet -- and, in particular, this is Page 4 of your

10 rebuttal. You state, For example, the 50 Prius

11 hybrids and plug-in hybrids combined represent only

12 about eight percent of the total passenger cars in

13 the fleet; is that correct?

14 A. Right. Yep.

15 That's correct.

16 Q. The current fleet described above and

17 certain charging stations have been recovered

18 through base rates; is that correct?

19 A. Where are you reading that?

20 Q. I'm not. I'm -- that comes from me.

21 A. Okay. So restate your question.

22 Q. The current fleet that I just described --

1 **A.** Right.

2 **Q.** -- and the certain charging stations that
3 are associated with that, those have been covered
4 through base rates; is that correct?

5 **A.** Well, the -- well, that's correct.

6 But we have no charging stations for
7 the -- no what you'd consider to be charging
8 stations for the ten Priuses.

9 **Q.** How are they charged?

10 **A.** They're charged on an electrical outlet
11 from the wall, 110 volts.

12 **Q.** Okay. Thank you for that.

13 **A.** Level 1.

14 **Q.** There have been no disallowances of costs
15 associated with these vehicles that you're aware
16 of; is that correct?

17 **A.** That's correct.

18 **Q.** Okay. Back to the EV pilot. I'm going to
19 go back to your direct testimony on Page 4.

20 You state that, But little information
21 is available with the total life cycle cost of
22 owning these vehicles, given ComEd's work

1 environment and wide range of fleet equipment used;

2 is that correct?

3 A. That's correct.

4 Q. Are you aware of any electric vehicle

5 pilots ComEd is currently involved in?

6 A. No. I'm not -- I don't want to -- no, we

7 have no electric vehicles on property.

8 MR. BOROVIK: Okay. Can I approach the witness?

9 JUDGE HAYNES: Sure.

10 THE WITNESS: Okay. Are you referring to the

11 Clean Cities Grant?

12 BY MR. BOROVIK:

13 Q. Yes.

14 A. Okay.

15 Q. Now I am at this point. Yes.

16 A. Okay.

17 Q. Are you aware of that?

18 A. Sure.

19 Q. Can you read what I've highlighted in

20 yellow, starting with the title.

21 A. Hm-hmm. Yes.

22 Q. I'm sorry. Can you read it out loud,

1 please, as well.

2 A. The highlights?

3 Q. Yes.

4 MR. FOSCO: Actually, I just want to -- I guess
5 I'm going to object on foundation -- objection,
6 your Honor.

7 I think we don't have any foundation
8 established at this point.

9 JUDGE HAYNES: I agree.

10 MR. BOROVIK: I think I've gone to great lengths
11 to lay a foundation, your Honor.

12 The point of the -- what this witness
13 has said is how important this information is.

14 JUDGE HAYNES: What's the document in front of
15 him he's reading from?

16 THE WITNESS: It's a web page.

17 MR. BOROVIK: This is the City of Chicago's web
18 site. It talks about the City received 50 million
19 federal economic stimulus funding, and ComEd is
20 identified in this.

21 If the witness isn't aware of it, he can
22 certainly state that. But this is talking about

1 electric vehicles, it's talking about ComEd, and
2 it's talking about federal stimulus money and
3 alternative vehicles. And if the witness isn't
4 aware of it, he can certainly state that and I'll
5 move on.

6 MR. FOSCO: All I'm objecting to, your Honor, is
7 I think we need to establish a little foundation.

8 I don't think we've asked if he's seen
9 this document.

10 JUDGE HAYNES: You gave him a document and you
11 told him to read it.

12 BY MR. BOROVIK:

13 Q. Okay. I'm sorry. Let me give it to you
14 again. I apologize.

15 Have you seen this document?

16 MR. FOSCO: Before today?

17 MR. BOROVIK: Sorry.

18 THE WITNESS: Before like two seconds ago?

19 BY MR. BOROVIK:

20 Q. Before right now.

21 Before right now.

22 A. No.

1 Q. Okay. Could you read what I've
2 highlighted.

3 MR. FOSCO: Well, your Honor, I'm going to
4 object. We don't have the foundation for this
5 document.

6 I'm not sure what just having this
7 witness read a document he's never seen before,
8 what that gets us.

9 JUDGE HAYNES: He doesn't know what the document
10 is.

11 MR. BOROVIK: Well, that's why I'd like him to
12 read it and so we could discuss it, but the title
13 itself, I think, describes what the document's
14 about.

15 I could read the document and he could
16 see if he agrees with it or not. I have no problem
17 with doing that, your Honor. But this is about --
18 the article's about electric vehicles. ComEd is
19 mentioned in the article. I'm just asking the
20 witness -- he has said he's not aware of vehicle
21 pilots that ComEd's been involved in. This is an
22 article that suggests --

1 THE WITNESS: I need to correct that. That's
2 not what I said.

3 MR. FOSCO: Okay. Your Honor, I think that
4 mischaracterizes the testimony.

5 He asked if there was a pilot. He
6 didn't ask if he was aware of EV vehicles.

7 BY MR. BOROVIK:

8 Q. Let me try this -- way, your Honor:

9 Are you familiar with the City project
10 that is the title of that document?

11 A. I'm familiar -- well, I don't want to be
12 legalistic, but the answer is no; but I think this
13 refers to the Clean Cities Grant.

14 Is that what you're asking me about, the
15 Clean Cities Grant?

16 Q. It -- could he read the title of the
17 document.

18 JUDGE HAYNES: Well, are you trying to say that
19 he has said something incorrect? Is that what
20 you're trying to get at here?

21 MR. BOROVIK: I'm trying to say that there's
22 information out there about electric vehicles that

1 he's -- that he has said in his testimony is very
2 important. It's important not only to ComEd
3 customers, it's important to fleet vehicle
4 customers. And it sounds like it's -- according to
5 Mr. McMahan, it's important to the country, that
6 this information is going to be available.

7 Now I'm trying to show that there's
8 certain information available out there now, and if
9 he's aware of it, I'd like him to --

10 JUDGE HAYNES: Okay. He's never seen the
11 document before. And maybe he's -- I mean, you can
12 ask about the Clean Cities project. Maybe he has
13 some knowledge about it.

14 MR. BOROVIK: Maybe I could ask him specific
15 questions from the article and he can either answer
16 them or not.

17 BY MR. BOROVIK:

18 Q. The title of this states, City receives
19 almost 15 million in federal economic stimulus
20 funding to expand the use of alternative fuel
21 vehicles.

22 Are you aware of anything like that?

1 **A.** I'm aware of the Clean Cities Grant.

2 **Q.** Are you aware that in this article that's
3 posted on the City of Chicago web site, they talk
4 about fleet vehicles being tested, hybrids,
5 electric vehicles and others such as biodiesel
6 vehicles?

7 Are you aware of that?

8 **A.** The Clean Cities Grant contains some of
9 those vehicles, yes.

10 **Q.** In here, are you aware that it says the --

11 JUDGE HAYNES: He's already said he hasn't read
12 the article. So he's not aware of the content of
13 the article.

14 MR. BOROVIK: What -- he hasn't read the whole
15 article, and I was talking about the portions of
16 the article and asking if he's aware of it or not.

17 BY MR. BOROVIK:

18 **Q.** So you're aware generally of the program?

19 **A.** I'm aware of the Clean Cities Grant.

20 **Q.** Can you tell me what you know about the
21 Clean Cities Grant?

22 **A.** I know about the ComEd involvement in the

1 Clean Cities Grant.

2 Q. What's ComEd's involvement in the Clean
3 Cities Grant?

4 A. So ComEd's involvement in the Clean Cities
5 Grant is there's been some -- and this is in the
6 testimony. There's been some money awarded for
7 ComEd in the Clean Cities Grant to have some bucket
8 trucks, some hybrid bucket trucks; not electric
9 vehicles; some hybrid Ford Escapes; and one digger
10 derrick truck, hybrid once again. And that's a --
11 and 36 charging stations.

12 Q. Are you asking for hybrid bucket trucks or
13 charging stations in your request?

14 A. No, you don't need a charging station for a
15 hybrid bucket truck.

16 Q. Are you asking for hybrid bucket trucks in
17 your request?

18 A. For the Clean Cities Grant, yes.

19 Q. How about in your testimony in this -- in
20 this case?

21 A. I believe it is in the testimony. It's in
22 some of the DRs.

1 **Q.** So are you -- are you -- do you believe --
2 is it your opinion that there is information that
3 would be available as a result of the Clean Cities
4 Grant that customers, fleet vehicles -- people who
5 are interested in fleet vehicles will benefit from?

6 **A.** Well, let's go back to the definitions.

7 Our pilot is for electric vehicles,
8 plug-in electric vehicles. The hybrid bucket
9 trucks I'm referring to, the Ford Escapes I'm
10 referring to are not plug-in electric vehicles.
11 They're hybrids.

12 And so the pilot's focus, which is on
13 the life cycle costs of electric vehicles, is not
14 applicable in the Clean Cities Grant.

15 **Q.** So there's differences, you're saying,
16 between --

17 **A.** Yes, it's different technologies.

18 **Q.** But will there be some information that
19 will benefit fleet vehicle users and customers that
20 either are interested in electric vehicles or
21 plug-in hybrids that could benefit from this
22 information?

1 MR. FOSCO: Your Honor, I'm --

2 THE WITNESS: I'm sure there will be, but I'm
3 not familiar with what the Clean Cities reports are
4 going to be.

5 BY MR. BOROVIK:

6 Q. That's all I had about this article.

7 Are you aware of the U.S. Department of
8 Energy that has a smart grid information
9 clearinghouse that they have online and post
10 information about different smart grid
11 technologies, electric vehicles, battery
12 technologies?

13 Are you aware of that?

14 A. There's a lot of them.

15 Q. This --

16 A. Can you be specific?

17 Q. Sure.

18 This is a smart grid information
19 clearinghouse. It's sponsored by the U.S.
20 Department of Energy. Are you aware of that one?

21 A. No.

22 MR. BOROVIK: May I approach the witness?

1 JUDGE HAYNES: Sure.

2 MR. BOROVIK: Your Honor, I want to -- this will
3 be AG Cross Exhibit 2, and I don't have three
4 copies for you.

5 (Whereupon, AG Cross
6 Exhibit No. 2 was
7 marked for identification
8 as of this date.)

9 BY MR. BOROVIK:

10 Q. This is an article about your former
11 company, General Electric. Are you aware of this
12 information, that General Electric to buy big EV
13 fleet to study users' behavior?

14 Are you aware of this?

15 A. I am aware of that.

16 Q. Okay. Could you read the first sentence.

17 MR. FOSCO: Your Honor, I want to object to
18 foundation again.

19 I mean, he's testified he's familiar
20 with the topic he identified, but we don't have any
21 foundation for this document, which appears to be
22 something entitled Smart Grid Today.

1 MR. BOROVIK: Well --

2 JUDGE HAYNES: Can you lay a foundation?

3 BY MR. BOROVIK:

4 Q. GE is going to buy 25,000 electric vehicles
5 in this article by 2015 for its own fleet and it's
6 going to be marking the largest single EV
7 commitment yet.

8 It's also stating --

9 JUDGE HAYNES: Are you testifying as to the
10 content of that article?

11 MR. BOROVIK: No, I'm going to have a question
12 about it for the witness.

13 MR. FOSCO: Well, your Honor, I think -- I mean,
14 he needs to lay a foundation. Otherwise, this is
15 just hearsay evidence of some news article.

16 MR. BOROVIK: Well, I'm not -- I'm not offering
17 this for the truth of the matter asserted. He says
18 he's aware of it and I wanted to ask him some
19 questions about it.

20 MR. FOSCO: Well --

21 MR. BOROVIK: Maybe you could tell me about
22 this.

1 BY MR. BOROVIK:

2 Q. What is GE doing, Mr. McMahan, here that
3 you're aware of? What kind of vehicles are they
4 purchasing, what type of vehicles, if you know?

5 A. Well, according to the article and your
6 highlights, they'll buy 25,000 EVs by 2015. That's
7 four years from now. They'll initially buy 12,000
8 GM vehicles, starting with a Chevy Volt next
9 year -- this is dated as 2010, so I assume that
10 means 2011 -- and other EV brands as they come to
11 market.

12 They'll open a pair of EV customer
13 experience and learning centers to evaluate vehicle
14 performance and consumer charging behaviors, it
15 said.

16 Q. Assuming -- do you have any -- do you have
17 any reason to believe that if they follow through
18 with this, that this information wouldn't be
19 valuable to customers of electric vehicles and
20 fleet vehicle owners?

21 MR. FOSCO: Your Honor, I'm going to object to
22 foundation. I think it calls for speculation

1 about -- about some program that General Electric
2 may be running.

3 JUDGE HAYNES: It's definitely -- it's
4 speculation, and he's really just reading from a
5 sheet of paper you've handed him without laying a
6 foundation for. So --

7 MR. BOROVIK: Right.

8 JUDGE HAYNES: -- I'm having trouble.

9 MR. BOROVIK: My question was, if -- I could
10 even make it a hypothetical.

11 Why don't I make it a hypothetical.

12 JUDGE HAYNES: Sure.

13 BY MR. BOROVIK:

14 Q. Assuming somebody out there buys all these
15 vehicles, let's say 25,000 vehicles, and let's just
16 say they initially buy 12,000 vehicles and let them
17 be GM Chevy vehicles.

18 And then they -- also, hypothetically,
19 they open a pair of customer experience and
20 learning centers to evaluate vehicle performance
21 and customer charging behavior.

22 Would that be a benefit to fleet vehicle

1 owners and to electric vehicle owners, if just
2 hypothetically that happened?

3 **A.** Well, I'm sure anything that they -- since
4 there's no -- since there'd be new information, it
5 would probably be a benefit, but this is not the
6 purpose of our pilot.

7 Our pilot is to evaluate the operation
8 of electric vehicles in a fleet in the Chicago area
9 and assess life cycle costs. And according to the
10 piece of paper you handed me and the highlight that
11 you highlighted, it has to evaluate vehicle
12 performance and consumers' charging behaviors. It
13 says nothing about life cycle cost.

14 So I think our EV pilot is quite
15 different from what is being proposed here.

16 **Q.** Okay. And moving away from this and on to
17 the life cycle, you've talked about the timing of
18 your pilot. And let's look at the time line.

19 The pilot would start in 2011, you're
20 saying?

21 **A.** Yeah. We said -- we propose to make these
22 investments basically from August 2011 through

1 May 2012.

2 Q. And some -- there's some vehicles that may
3 not be available. You've talked about -- I think
4 there's been, in your testimony and Miss Hinman,
5 some discussion about when certain vehicles, for
6 example, the Leaf, might be available; that in this
7 area -- there -- it may not be available until --

8 A. Could you refer to the line where I said
9 that in the testimony --

10 Q. Sure.

11 A. -- please?

12 Q. Page 5 on -- I'm sorry. No. Hold on one
13 second.

14 Well, on Page 6, you talk about the time
15 line. We are proposing the pilot period conclude
16 by the end of 2013. We will have collected enough
17 data by that time to develop a total life cycle
18 cost of ownership for each class of vehicle as well
19 as data on how the vehicles performed.

20 I'm sorry. Let me ask a different
21 question because I'm -- I'm having a hard time
22 finding where that other information is.

1 So how long a time period then? So
2 sometime in 2011, and it concludes in 2013, or
3 what -- then are we talking about a year and a
4 half, something like that?

5 **A.** Yeah, we'd start -- as the testimony lays
6 out, it would start in August of this year with
7 purchases and we would conclude the pilot in -- by
8 the end of 2013 and when we file a subsequent
9 report.

10 **Q.** And you had said in your testimony you're
11 trying to test urban, suburban, rural areas,
12 geographic footprint and fairly diverse climate
13 conditions.

14 Do you mean, in "climate conditions,"
15 summer, winter, spring, fall?

16 **A.** Where are you reading, please?

17 **Q.** I'm sorry. Page 3, Line 56.

18 **A.** Okay.

19 **Q.** So you're testing -- this is a question for
20 clarification.

21 By "diverse climate conditions," you
22 mean Chicago having, you know, hot summers, cold

1 winters, testing throughout a season; is that what
2 you're --

3 **A.** The climate conditions in our service
4 territory. That's correct.

5 **Q.** Unique climate conditions in the ComEd
6 service territory?

7 Okay. And so how many -- with this time
8 period, do you anticipate you'll be able to test
9 something like battery life within this time
10 period?

11 **A.** You should be able to measure batteries.
12 The characteristics of the Lithium-ion batteries,
13 every time you charge them, they lose a little bit.

14 So using smart charging technology, we
15 will be able to tell how fast -- what the charge
16 level is on the battery, when it's plugged in to
17 charge, and what the charge level is when it's
18 completed the charge.

19 So there should be some data available,
20 yeah.

21 **Q.** And how many seasons then will you be able
22 to test? You'll be able to test one full season or

1 season -- or one and a half?

2 **A.** Well, however many there are between
3 August and -- 2011 and the end of 2013.

4 MR. BOROVIK: No further questions on the
5 electric vehicles issues.

6 JUDGE HAYNES: Ms. Lusson?

7 CROSS-EXAMINATION

8 BY

9 MS. LUSSON:

10 **Q.** Good morning, Mr. McMahan.

11 **A.** Hello.

12 **Q.** Now, as I understand the Company's
13 proposal, the Rate ACEP proposal includes requests
14 for technology such as EVs and smart grid
15 distribution automation that would be recovered
16 through the Rate ACEP; is that right?

17 **A.** Well, we don't -- we don't actually propose
18 a distribution automation. We propose a process.
19 So that piece is in with the AMI process for
20 recovery, but we do propose a recovery for EV --

21 **Q.** Okay.

22 **A.** -- specific funding.

1 **Q.** And is it correct that the EV technology
2 and any of the distribution automation technology
3 that you discuss in your testimony would not be put
4 through the Company's annual 12-month-long capital
5 budget process, but, rather, would be a part of the
6 proposals made through Rate ACEP?

7 **A.** These specific projects have not been part
8 of the capital project.

9 Now, we do have small -- we do have a
10 small distribution automation program that's
11 ongoing. I think Miss Blaise testified to that.
12 So that does go through.

13 But the process for distribution
14 automation, which is talked about in Dr. Hemphill's
15 testimony, and the EV pilot which is talked here,
16 is not part of our annual -- has not been part of
17 our annual budget review.

18 MS. LUSSON: Okay. I want to show you what I'll
19 mark as AG Cross Exhibit 3.

20

21

22

1 (Whereupon, AG Cross
2 Exhibit No. 3 was
3 marked for identification
4 as of this date.)

5 BY MS. LUSSON:

6 Q. AG Cross Exhibit 3 is the Company's
7 response to AG Data Request 2.01, which requested
8 the Company to describe each step of the Company's
9 capital expenditure budget review and approval
10 process; is that correct?

11 A. Correct.

12 Q. And it's my understanding that this
13 response was prepared by you or under your
14 direction or supervision?

15 A. I'm checking, but I'm going to say that's
16 correct.

17 Q. Now, looking under the first action item
18 listed there, it states that corporate finance
19 issues, budget-planning calendar and guidance
20 letter, and it lists that this takes place during
21 the first quarter.

22 So does that occur in January then for

1 the following year's capital budget work plan?

2 **A.** Well, the first quarter for the following
3 year. We'd like it to be in January, but sometimes
4 it's not.

5 **Q.** And who issues that planning calendar and
6 guidance letter, ComEd or Exelon?

7 **A.** Well, that comes -- what I see comes from
8 ComEd.

9 **Q.** Next, under the category of Action, it
10 states, Integration of business assumptions and
11 building of business plans for Exelon.

12 So is this something Exelon prepares
13 that is incorporated into the ComEd budget process?

14 **A.** No, I think that's -- I'm not sure why we
15 used the word "Exelon" here.

16 What we do is we get -- we'll get our
17 financial direction from ComEd from our CFO, and
18 that lays out what your budgetary constraints are
19 for the year.

20 And then once -- once we have those, we
21 go through a business planning process where we're
22 going to lay out our major business plans and

1 initiatives within ComEd for the year.

2 Q. And when the CFO lays out the -- I think
3 you referred to them as the budget constraints --

4 A. Sure.

5 Q. -- is that the word you used?

6 Is there a specific dollar value that's
7 listed as in, Here's our cap and work with this
8 number, or how does that -- how is that reflected
9 in the letter?

10 A. He'll provide us with our -- what our
11 capital expenditures as well as what our O&M
12 expenditures are for the year.

13 Q. And is it divided into --

14 A. That's what I see.

15 Q. Okay. And is it divided into company
16 departments at that point or does the Company, as a
17 whole, then work within itself to divvy up that
18 amount of available capital spend?

19 A. Originally, we'll get that -- that amount
20 of money as an aggregate, and then there's a --
21 it's kind of a two-step process. And then it's
22 divided between the operating units, and that's --

1 that happens at the senior level.

2 Q. Okay. And those two units are?

3 A. Well, there's more than two units, but, you
4 know, what I see is operations, customer
5 operations. There's -- and then there's
6 regulatory, legal, advertising.

7 There's a lot of different departments.
8 What I see is the operations budget.

9 Q. And then the long -- under Action in this
10 response, it lists, Long-Range plan or five
11 full-year projections of operational results --

12 A. Right.

13 Q. -- for the operating companies are
14 established and approved by the executive
15 committee.

16 A. Right.

17 Q. Are -- the reference to operating companies
18 there, is that ComEd and PECO?

19 A. What I see as the five-year LRP is ComEd's.

20 Q. Okay. And what is the executive committee?
21 Is that an Exelon committee or is that a board or
22 executive board --

1 **A.** Well, you know, there's a lot of
2 committees.

3 In this case, I'm going to define the
4 executive committee as the Commonwealth Edison
5 senior executive committee -- senior executives.
6 We typically refer to that as CMC. There is an
7 Exelon executive committee as well.

8 **Q.** Would those senior executives within the
9 Company be the vice presidents or...

10 **A.** Senior vice presidents and above.

11 **Q.** Okay. Now, the next action item says, The
12 business units kick off their budget process.

13 **A.** Yeah.

14 **Q.** Can you describe what that -- first, what
15 is the -- what do you mean by "business unit"
16 there?

17 **A.** That'd be -- two of the larger business
18 units are what was referred to as operations.
19 That's the operating unit. That's where we have
20 our construction and maintenance, our line
21 organizations, and then the customer service
22 organizations. And the customer service

1 organization is where we have our call center, our
2 meter readers, things like that.

3 Q. And describe what that -- when you say
4 "kick off their budget process," what does that
5 entail?

6 MR. FOSCO: Your Honor, I guess I'm going to
7 object to relevance and potentially beyond the
8 scope.

9 I mean, there are certain issues
10 regarding the budget process that relate to the
11 issues in this case, but the budget process in and
12 of itself is not an issue in this case. And I
13 think we've been going quite a while just about the
14 general budget process and I don't see any
15 connection to the issues in this case.

16 MS. LUSSON: Well, the Company -- ComEd is
17 proposing a rate methodology that alters how
18 certain designated capital additions and new
19 technologies will be approved and paid for, and I
20 think for the Commission to evaluate that proposal,
21 there has to be an understanding of how the Company
22 currently decides to invest in plant and new

1 technologies and what kind of a budget process the
2 Company requires for capital additions to be
3 approved.

4 MR. FOSCO: And I think my objection, your
5 Honor, is that we're not focusing at all on that
6 issue that Ms. Lusson just identified. We're just
7 focusing on the general budget process instead of
8 the budget process that's relevant to the
9 technology at issue here.

10 JUDGE HAYNES: I'll let the question go.
11 Objection overruled.

12 MS. LUSSON: Thank you, your Honor.

13 BY MS. LUSSON:

14 Q. So I think you were about to describe how
15 the business units kick off their budget process.

16 A. Well, it's a -- we get together in a really
17 big meeting, and the dollar values are laid out and
18 the budgetary constraints are laid out and what our
19 targets are for the year and, at that point, we
20 start a -- we refer back to the LRP.

21 So our five-year LRP is -- it's a
22 rolling five years. So when you go into your

1 detailed budget plan, you have the benefit of the
2 previous year's LRP number. So that's where you
3 start in your detailed budget planning.

4 And when we kick it off, we bring in all
5 our departments within the business unit and that
6 gets laid out as to here's the financial
7 constraints and budgets we've been provided by --
8 by the financial organization and by our
9 leadership. And the first step of the kickoff
10 meeting is to educate everybody on what those
11 numbers are, brief them on what the time line is
12 for getting to a number which then has to be -- go
13 up the ComEd chain for review and approval.

14 **Q.** Okay. And is it at that point that the
15 individual business units identify what capital
16 addition projects they are interested in having
17 approved eventually through the 12-month-long
18 process?

19 **A.** Well, of course, it's not -- it doesn't
20 happen all at one meeting.

21 **Q.** Hm-hmm.

22 **A.** I mean, this is months --

1 **Q.** Right.

2 **A.** -- that takes place.

3 But the first step of that budget
4 process is to review what was in your plan the
5 previous year in the LRP.

6 So, for instance, this year, we'll have
7 a five-year LRP. The beginning of that five-year
8 LRP will be 2011, but we'll also put in data for
9 2012, 13, 14, 15 and 16. The farther out you get,
10 the less detailed it is. So the first two years
11 are pretty detailed.

12 So we start -- we start our budgeting
13 process with the plan that we put in place the
14 previous year. And so the first step of your
15 process is that you review that plan to see if its
16 basic assumptions are still operative and if new
17 projects have come in, whether the economy is -- is
18 functioning the way we thought it'd function, what
19 our trend lines are, et cetera, et cetera.

20 **Q.** And in those long-range plan details, it
21 sounds like that the most detail is provided for
22 the upcoming two years?

1 **A.** Sure.

2 **Q.** Is -- are individual project -- projects,
3 that is, plant additions, listed in those
4 long-range plans?

5 **A.** Yeah, it's -- it's a bit of a mix.

6 If you look at the ComEd budget, it's
7 pretty stable year to year. There's typically
8 about 15 percent capacity spend, 25 percent
9 corrective maintenance, 25 percent new business, 15
10 percent system performance; and the balance is made
11 up of customer operations, meter, call center,
12 things like this.

13 So -- and the capacity expansion
14 category typically makes up 15 percent of our
15 spend. That is -- that is pretty detailed in terms
16 of the projects because the -- the capacity
17 expansion group looks forward several years, and we
18 have projects laid into the several years. So that
19 just is a validation. So capacity expansion is
20 going to have more detail in it than not in the
21 capacity expansion.

22 If you move to corrective maintenance,

1 that's more of a trend line associated with that.
2 We know year over year how much corrective
3 maintenance we performed. It's pretty regular.
4 It's hard to, you know, get down to a project level
5 on the cross-arm on Pole 14372 is cracked and needs
6 to be repaired, but we know trend-wise what that
7 is.

8 New business, 25 percent of the budget
9 is a mix between the large projects that have
10 already been identified. Those would be
11 commercial, industrial, large industrial or
12 high-rises. And then it's also trended as well for
13 the smaller -- smaller service connections on an
14 individual home.

15 And then your system performance, which
16 is the last to go, because that's discretionary.
17 System performance is discretionary. When you
18 think about it, capacity expansion, new business
19 and corrective maintenance, those are all required
20 categories.

21 **Q.** Hm-hmm.

22 **A.** You got to hook people up; you got to keep

1 the lights on; you got to provide enough
2 electricity.

3 So the last category that serves as the
4 surge tank is the system performance category, and
5 that won't have specific items in it, typically,
6 but it'll be trended. I mean, we'll know the
7 category of work. For instance, we can -- we're
8 going to do so much underground residential
9 development work next year, but that's a function
10 of what's available in the budget.

11 That answer the question?

12 **Q.** Yes. Thank you.

13 **A.** Okay.

14 **Q.** And -- and now I think you indicated system
15 performance is approximately 25 percent?

16 **A.** 15.

17 **Q.** 50?

18 **A.** Actually, 14. 1-4.

19 **Q.** Oh, I --

20 **A.** System perform- --

21 **Q.** 14.

22 **A.** -- typically.

1 **Q.** And how about -- do you know typically what
2 the other three categories that you mentioned, for
3 example, capacity expansion?

4 **A.** 15 percent, 1-5; new business, 2-5. And
5 what did I say? I said --

6 **Q.** Corrective maintenance?

7 **A.** Corrective maintenance is 25 as well, 2-5.

8 **Q.** Okay. So is it correct then that each of
9 the departments that participate in this budget
10 process for the four categories, does each of the
11 personnel or the leaders of the personnel of the
12 departments identify which projects they want to
13 prioritize for each of those four categories that
14 you've discussed?

15 **A.** Yeah, we have a category feud -- view. So
16 all our spend is rolled up under one of those
17 categories.

18 **Q.** Now, the next action item says,
19 Consolidated Exxon (sic) LRP is approved by
20 executive committee, which takes place in July.

21 And, again, the acronym LRP there is
22 long-range plan?

1 **A.** Correct.

2 **Q.** And is this an Exelon long-range plan or

3 ComEd long-range plan?

4 **A.** The one I see is a ComEd long-range plan.

5 **Q.** Okay. And by "long-range plan," again,

6 you --

7 **A.** Five years.

8 **Q.** Five years.

9 And these -- this is a five-year look at

10 future investments in the categories that you've

11 discussed?

12 **A.** That's correct.

13 **Q.** Now, the next action item says, Work for

14 the operations business unit is risk-scored and

15 approved by VPs and senior VPs.

16 Can you describe how the risk-scoring

17 process works?

18 **A.** Yes, I can.

19 **Q.** Will you?

20 **A.** Yes. Yes, I will.

21 **Q.** Thank you.

22 **A.** So the budgeting process risk scoring is

1 relatively new for ComEd. We introduced it about
2 four years ago. We created this process ourself.

3 In the past -- in the past, many years
4 ago, basically, budgets were set by whoever was
5 most passionate about what they were talking about.

6 The risk-scoring model removes all that
7 emotion. It's a risk-scoring model that takes into
8 effect what the project is, what the consequences
9 of failure are, and what the impact of that failure
10 is. It's a grid matrix. And so each job gets
11 risk-scored and it comes up with a number, and the
12 highest risk-scoreds go first and then you work
13 down the table until you hit -- until you run out
14 of money.

15 Q. And when -- if a project then is deemed a
16 numerical value based on what the perceived need
17 for or importance of the project in terms of
18 reliability or --

19 A. Correct.

20 Q. And are there other factors in addition to
21 reliability that are risk-scored?

22 A. Yeah, consequences of failure.

1 So you might have a transformer out
2 there that has -- has several health indices -- we
3 call them health indexes -- that indicate that that
4 transformer is on -- has an internal fault. So
5 let's say you have a transformer out there that has
6 ethylene gas in it, but it hasn't gone to the point
7 of acetylene yet. That gives you a risk of
8 failure. We score that risk of failure and then we
9 determine how many customers are fed off that
10 transformer. So it's risk of failure versus
11 consequences and that's how you arrive at the
12 number.

13 If the transformer was in worse shape,
14 for instance, it has acetylene instead of ethylene,
15 then you'd say, Well, okay. That's in worse shape.
16 So the risk of failure is higher, but the
17 consequences are the same.

18 And in a similar fashion, if the
19 transformer serves fewer customers, then the risk
20 of failure may be the same, but the consequences
21 are less. So it's a balanced approach.

22 **Q.** And is that risk assessment, the criteria

1 methodology, also applied to all of the four
2 categories that you talked about or are they
3 strictly projects that are falling, for example, in
4 corrective maintenance or something essential to
5 reliability?

6 **A.** No, we risk-score just about everything
7 these days. There may be a few that are not
8 risk-scored.

9 Now, for instance, new business. It
10 doesn't -- it doesn't make much sense to risk-score
11 new business. If you have a high-rise going up in
12 Chicago, you're not going to say no because, you
13 know, the consequences of not hooking you up are so
14 low. So that's mandatory work. We have to do
15 that.

16 **Q.** Hm-hmm.

17 **A.** And we also will risk-score capacity
18 expansion as well, although then the risk score is
19 applied to different scenarios.

20 You have to do the capacity expansion to
21 stay within criteria, but there may be various
22 alternates that you could use. And we'll use the

1 risk-scoring tool as a way to prioritize that and
2 land on the right answer.

3 Pretty detailed process.

4 Q. And then once those risk numeric values are
5 assigned to the individual projects, then it goes
6 through a layer where it's approved by vice
7 presidents and senior vice presidents?

8 A. That's correct.

9 Q. And is that an automatic sign-off typically
10 or do --

11 A. No.

12 Q. No?

13 What -- can you talk about that process?
14 Do sometimes vice presidents say no to projects?

15 MR. FOSCO: Your Honor, I'm going to renew my
16 objection again. I think we've went on through a
17 large number of questions since my last objection
18 and we're not any closer to focusing on the issues
19 in this case.

20 JUDGE HAYNES: Yeah.

21 MS. LUSSON: Well, your Honor, if I could, I
22 think an important issue in this case is how do we

1 pay for and add capital additions, because the
2 Company's proposed a new methodology for doing that
3 in Rate ACEP.

4 So I think it's important for the
5 Commission to understand the -- the kinds of
6 processes that exist now for approving capital
7 additions and what kind of layers of approval
8 and -- and verifying that occur under the existing
9 framework.

10 And if, in fact, the projects that
11 aren't a part of the capital budget process are not
12 a part of that process, then I think that's --
13 that's a significant point for the Commission to
14 consider.

15 I have only -- I have a handful of
16 questions more along this line.

17 JUDGE HAYNES: Okay. Because you said half an
18 hour and we're at 45. So if you could bring it to
19 a close, make your point here. We understand it's
20 going to be a different process.

21 BY MS. LUSSON:

22 Q. Now, I think we were talking about the

1 level of approval or the kinds of approval that has
2 to occur after this risk assessment occurs?

3 **A.** Correct.

4 **Q.** So those -- those projects and the risk
5 assessment numbers are presented to vice presidents
6 and senior vice presidents?

7 **A.** That's correct.

8 **Q.** And do those vice presidents automatically
9 sign on on the projects requested in those risk
10 assessments?

11 **A.** Absolutely not.

12 **Q.** Then what kind of give-and-take then occurs
13 at that point between the business units?

14 **A.** Well, yeah, it's not -- you know, I think
15 you made a statement, can the VPs say no. We don't
16 say no. What -- it's a challenge process.

17 So using our experience and our
18 knowledge, we may challenge the risk score. We may
19 challenge the prudence of the job. We may
20 challenge the consequences. In other words, you
21 say, Did you get this right? You know, in my
22 experience, I think the consequences may be higher.

1 In my experience or my technical knowledge, based
2 on my individual background, I think the risk may
3 be different than what you're saying.

4 So there's a challenge process that
5 takes place. And then once the foundations are
6 established, of course, you have to prioritize the
7 entire work across all categories.

8 There's some categories that the
9 consequences are inherently lower than other
10 categories. If you didn't balance that across all
11 the categories, you'd have some categories where
12 work would never be done because the consequences
13 are so low.

14 So -- so it's more of a balance. It's
15 more of a bringing the experience and the knowledge
16 of the team together to arrive at a good, balanced
17 decision.

18 **Q.** And would it be fair to characterize this
19 as a system of checks and balances to ensure that
20 the projects that are most important to the Company
21 are actually placed in the capital budget?

22 **A.** Yes.

1 **Q.** Now, the -- that work category, target and
2 risk assessment and vice president approval
3 process, does that take place during those summer
4 months that are listed here in the approximate time
5 frame or does that go into the fall as well?

6 **A.** Yeah, there's two levels of that. One is
7 you -- the approvals take place for the overall
8 budget when the overall budget gets set, and then
9 there's also a process that takes place through
10 what's called the plant review process -- PRC,
11 plant review committee, for the larger projects and
12 that's ongoing throughout the year.

13 There are multiple layers of review and
14 approvals.

15 **Q.** Now, the -- and just to wrap up here,
16 looking at Page 2 of this, the business unit budget
17 and work plan is approved by vice presidents and
18 senior vice presidents.

19 Is it at that point that the sort of
20 winnowing down or the narrowing of the final
21 projects to be presented to the board of directors
22 is getting finalized?

1 **A.** Individual projects don't get -- typically
2 do not get presented to the board of directors
3 unless they're very high.

4 So the board of directors doesn't weigh
5 in and accept or reject individual projects.
6 That's for the operating business units.

7 **Q.** And the vice presidents in that approval
8 process?

9 **A.** That's correct.

10 **Q.** And the executive committee, does that look
11 at the overall numbers or are they also a part of
12 that approval process that we've been discussing?

13 **A.** Depends on the dollar volume.

14 If -- the CMC -- what I'm calling the
15 CMC, our executive committee, will review our
16 budget at its highest level across the categories,
17 across the business units -- operating business
18 units at the highest levels to make sure that
19 they're bringing their experience to bear, make
20 sure we have a balanced budget.

21 And then if an individual project is --
22 is worth enough money, has high enough profile,

1 then the CMC will review and approve that.

2 Q. And was the proposed -- you may have
3 answered this question, but I just want to
4 clarify -- the proposed EV pilot a part of the past
5 year's or next year's capital budget process?

6 A. Was not.

7 Q. And -- okay. And just to confirm, any
8 distribution automation smart grid projects that
9 would be a part of or paid for through Rider -- or
10 Rate ACEP would not go through that capital budget
11 process; is that correct?

12 A. Well, once again, the rate -- the proposal
13 under alternate regulation lays out a process to
14 come to what those smart grid investments would be.

15 So in our -- in our testimony, in our --
16 in the proposal, we didn't propose a specific set
17 of infrastructure under that. We left it open to a
18 process that was laid out.

19 That's different than the EVs where
20 we're very specific under alt reg exactly what
21 vehicles we would buy, what money we would spend.
22 That was very different.

1 **Q.** Okay. So just to clarify, make sure I
2 understand, the distribution automation smart grid
3 technology that would be paid for by Rate ACEP do
4 not go through the 12-month process that we've been
5 talking about?

6 **A.** Well, there's a whole bunch of different
7 processes that we just talked about.

8 **Q.** Hm-hmm.

9 **A.** So any project that has any funds, any
10 funds associated with it, is going to go through
11 that -- is going to go through that type of
12 process.

13 Depending on what it -- now, what we're
14 talking about here is recovery mechanisms, how we
15 recover those costs. The EVs are a great example
16 of this.

17 EVs, if you -- I don't need EVs. I
18 don't need a single electric vehicle to operate my
19 fleet. They can just do fine on internal
20 combustion engines. I don't need them at all.

21 The question that we have -- so,
22 therefore, in terms of risk scoring, you know,

1 those would fall very low on the scale. Why do I
2 need them? I can buy internal combustion engines.
3 They cost less; I know what the maintenance is; I'm
4 already stocked for the spare parts. I don't need
5 to ever buy an electric vehicle.

6 The question we have is, is that
7 something that offers a benefit? Is that a
8 direction we want to go? That is a perfect example
9 of something that needs an upfront discussion to
10 think -- and decide if we think that has enough
11 merit to pursue.

12 In our regular budget process, we
13 wouldn't go with an electric vehicle. They cost
14 more and they serve the same need as an internal
15 combustion engine.

16 **Q.** And I think in one of -- a response to one
17 of your questions (sic), you suggested that the
18 distribution automation equipment that would be
19 paid for through Rate ACEP has some sort of review
20 process. Is it this process?

21 **A.** The -- it would -- it would go through that
22 process under the banner of the alternate

1 regulation forum.

2 Q. So it would be a 12-month process with all
3 the kinds of checks and balances that we've been
4 talking about?

5 A. Well, 12-month process... A lot of that
6 process has already taken place in order to even
7 submit the alternate regulation.

8 So in this particular case, what the --
9 for the EVs, it's -- we've already been authorized
10 that under alternate regulation -- if alternative
11 regulation was approved, if that recovery mechanism
12 was approved, then the purchase of these vehicles
13 in that project would go forward.

14 Now, at that time, though, you still go
15 through a project challenge process. So are you
16 getting the best price for the electric vehicles?
17 Are you assigning the best -- the best technology?
18 Have you -- have you entered into the best
19 contracts? And that process would still take
20 place.

21 Q. And has that process taken place for the EV
22 pilot that you're proposing in this docket?

1 **A.** Well, it's not a project yet. So we
2 haven't entered into the project -- the individual
3 project challenge process yet.

4 We've got the -- we've got the overall
5 project outlined. We've got what we call a Phase I
6 project outline. We've got the funds approved,
7 subject to approval of the recovery mechanism.

8 Now, once the project's approved, then
9 it goes into the project management process, that
10 PRC process I described earlier with all the
11 subsequent challenges associated with that.

12 I'm sorry. There's just more than one
13 review process that we go through. It's not --
14 it's not as simple as you start at Point A and you
15 end at Point D.

16 **Q.** And has the -- the Company is designating
17 190,000 smart meters that would be proposed if
18 Rider A -- Rate ACEP is approved.

19 Have those 190,000 meters -- that
20 selection of that number gone through a budget
21 challenge process?

22 **MR. FOSCO:** Your Honor, I'm going to object to

1 the question. I think it mischaracterizes evidence
2 in this proceeding.

3 I don't think we have 190,000 meters
4 that are part of the alternative regulation
5 proposal.

6 MS. LUSSON: It's the number that's referenced
7 in Mr. Marquez's testimony, which would be, as I
8 understand it, proposed if Rate ACEP is approved.

9 BY MS. LUSSON:

10 Q. Have that -- to your knowledge, do those --
11 have those AMI meters gone through a budget
12 challenge process?

13 MR. FOSCO: Your Honor, I'm going to continue to
14 object. I think that's based on a misunderstanding
15 of the record.

16 MS. LUSSON: What is it that I've misstated?

17 MR. FOSCO: Well, I don't think -- there's not a
18 currently pending proposal to approve 190,000
19 meters in this docket.

20 MS. LUSSON: I understand that.

21 MR. FOSCO: There's a mechanism. And that's
22 what you just stated, though, is that this docket

1 involves a proposal for 190,000 meters, and that's
2 not accurate.

3 JUDGE HAYNES: What -- I think with the
4 clarification that we all understand that the
5 Company's not proposing that in this docket at this
6 time, I think her question more goes to whether the
7 budgeting process has started for the meters.

8 Am I --

9 MR. FOSCO: That question would be fine.

10 JUDGE HAYNES: Is that what your question was,
11 Miss Lusson?

12 BY MS. LUSSON:

13 Q. If, in fact, Rate ACEP is approved, would
14 ComEd submit 190,000 meters through a budget
15 process -- you know, this budget process?

16 A. Well, once again, the -- some of that
17 budget process has already taken place and that
18 happened prior to us submitting the alternate
19 regulation proposal.

20 We wouldn't have submitted an alternate
21 regulation proposal that has -- in Dr. Hemphill's
22 testimony has some scope -- defined scope and then

1 some suggested scope -- that's the DA, the smart
2 meters, et cetera -- without that kind of executive
3 review.

4 So if the alternate regulation is
5 approved, then those kind of funds have already
6 been reviewed under that recovery mechanism. The
7 individual project challenge process has not begun
8 on those, which is an ongoing process.

9 **Q.** And would -- would the board of directors
10 and the executive committee sign off -- is the plan
11 for them to sign off on any of these projects that
12 would be recovered on Rate ACEP?

13 **A.** Can you restate that, please?

14 **Q.** Is the plan for any -- for the executive
15 committee or the board of directors to sign off on
16 any -- on the projects to be requested through
17 Rate ACEP?

18 **A.** Well, you know, I'd have to review the
19 authorization levels of the projects.

20 At some of the volume and some of the
21 numbers that we're talking about here, when you go
22 through the project approval process, I'm pretty

1 sure those would end up at the ComEd board, but I'd
2 have to check the numbers. I'd have to check what
3 the dollar figures are.

4 MS. LUSSON: Thank you, Mr. McMahan.

5 We would move for the admission of
6 AG Cross Exhibit 3.

7 JUDGE HAYNES: Okay.

8 MR. FOSCO: No objection to 3, your Honor, to
9 AG Cross Exhibit 3.

10 JUDGE HAYNES: AG Cross Exhibit 3 is admitted.

11 (Whereupon, AG Cross
12 Exhibit No. 3 was
13 admitted into evidence as
14 of this date.)

15 JUDGE HAYNES: Staff?

16 MR. SAGONE: Thank you, your Honor.

17 CROSS-EXAMINATION

18 BY

19 MR. SAGONE:

20 Q. Good afternoon, Mr. McMahan. My name is
21 John Sagone, and I'm an attorney representing the
22 ICC Staff.

1 If any of my questions are unclear, just
2 let me know, or if you need me to repeat one,
3 please let me know.

4 **A.** Thank you.

5 **Q.** First, I'd just like to ask you a little
6 bit about the distribution automation programs.

7 In your direct testimony, you discuss
8 these types of programs, correct?

9 **A.** Yes.

10 **Q.** And I direct you now to your direct
11 testimony, Page 7, Lines 129 through 130. You let
12 me know when you're there.

13 **A.** Yes.

14 **Q.** There, you state, quote, How does ComEd's
15 proposal provide a means of timely deploying
16 cost-beneficial DA technologies to customers; is
17 that correct?

18 **A.** Yep.

19 **Q.** As you use the term "cost-beneficial," does
20 cost-beneficial mean the same as expected benefits
21 would exceed the expected cost?

22 **A.** That -- in this case, there's not -- when

1 we deploy the -- when we deploy the DA, there's not
2 a direct cost-benefit analysis performed, in
3 meaning that there's not a sheet of paper that says
4 if I do -- if I spend this money, this is the
5 dollar value, the benefits that have to be -- that
6 we're going to derive.

7 Rather, the -- because of -- the
8 benefits of distribution automation, particularly
9 when you call -- talk about the automatic switches,
10 go to the customer in the form of avoided outages.

11 So in this particular case, when we do
12 our analysis on DAs, we'll take several factors
13 into account. But, basically, what you're trying
14 to do is install the device where you can avoid the
15 most customer interruptions. That's based on the
16 circuit size, its position, its configuration and
17 how many people are on it.

18 **Q.** So, in other words, no direct cost-benefit
19 analysis is performed?

20 **A.** No.

21 **Q.** I'd like to ask you some questions about EV
22 technology.

1 **A.** Sure.

2 **Q.** First, as vice president of smart grid
3 technology, you're responsible for the development
4 and implementation of strategic smart grid programs
5 and other technology advancement initiatives in the
6 areas of para-grid (phonetic) operations, electric
7 vehicles, and distribution, transmission and
8 substation automation; is that correct?

9 **A.** Yep.

10 **Q.** And as part of your responsibility for the
11 development and implementation of technology
12 initiative -- advancement initiatives in the area
13 of electric vehicles, is it correct that you are
14 generally aware of ComEd's initiatives in this
15 area?

16 **A.** Yes.

17 MR. SAGONE: Your Honor, may I approach the
18 witness?

19 JUDGE HAYNES: Sure.

20 MR. SAGONE: I would note for the record that
21 I'm presenting the witness with an extract from ICC
22 Staff Exhibit 9.1.

1 Would your Honor like to look at a copy?

2 JUDGE HAYNES: Sure.

3 THE WITNESS: Okay.

4 BY MR. SAGONE:

5 Q. Specifically, these include the Company's

6 responses to ICC Staff Data Request No. JLH 1.08

7 and ICC Staff Data Request No. JLH 1.10 and

8 associated attachments.

9 Mr. McMahan, do you recognize those data

10 responses?

11 A. Yes.

12 Q. And you were the sponsor for those

13 responses; is that correct?

14 A. Yes.

15 Q. I would note on Page 2 of the attachment to

16 JLH -- Data Request Response JLH 1.08 --

17 A. I'm sorry. Where are you?

18 Q. It would be Page 33 of 105.

19 A. Okay. Yep.

20 Q. I see you have listed there -- I believe it

21 is -- bear with me for a second -- 25 charging

22 stations for plug-in vehicles?

1 **A.** Yes.

2 **Q.** And earlier, in response to the AG's

3 questions, did you state that ComEd has 36 charging

4 stations?

5 **A.** We do.

6 **Q.** And what are those 11 charging stations

7 for?

8 **A.** The 36 charging stations that we currently

9 have just recently -- I mean, the concrete's barely

10 dry on them -- they're in anticipation of receiving

11 some electric vehicles through an EPRI grant.

12 **Q.** An EPRI grant?

13 **A.** EPRI program.

14 **Q.** Okay. Aside from that change, are the

15 answers you provided in these responses still true

16 and correct and complete?

17 **A.** Yes. Well, the solar canopy, we're --

18 since we submitted this, the solar canopies, we --

19 we're working with iGo (phonetic) to try to shift

20 the solar canopies to iGo. The notion being is

21 they'll be able to do a better test on that

22 technology because of the vehicles.

1 Q. Could you point to exactly where that --

2 A. Pardon me -- see where it says, Charging
3 station with 2.4 kilowatt solar canopy.

4 Q. Is that on the attachment?

5 A. Yeah. It's on Page 33.

6 Q. Thank you.

7 So you just mentioned the demonstration
8 project was with EPRI?

9 A. Right.

10 Q. Is that the GM Volt demonstration project?

11 A. Yeah, we're going to get 11 GM Volts.
12 Sometime.

13 Q. So 11 Chevy Volts.

14 Would you accept, subject to check, that
15 the MSRP, or manufacturer's suggested retail price,
16 of a GM Volt is \$41,000?

17 A. Yeah, I think it's 40,256, but close
18 enough.

19 Q. And based on this MSRP, the 11 vehicles
20 would cost ComEd, before taxes and tax credits,
21 approximately \$451,000, subject to check?

22 A. Yeah. Okay.

1 Well, it doesn't cost us that. I mean,
2 we -- we're not paying that full price. We pay
3 the -- the grant program takes into account the
4 incremental cost between a traditional vehicle and
5 EV, and then our cost share portion is the base
6 cost of the car.

7 **Q.** And what grant are you referring to?

8 **A.** Well, it's the EPRI program. It's part of
9 a larger EPRI program.

10 **Q.** Do you know how much that grant program
11 would cost of the total cost or what percentage of
12 the cost it will cover?

13 **A.** I don't have that exact figure.

14 **Q.** So based on ComEd's current fleet of hybrid
15 electric bucket trucks, which you referred to in
16 the DR responses --

17 **A.** Right.

18 **Q.** -- the plug-in hybrid vehicles, as well as
19 this EPRI pilot program, which you referred to --
20 I'm sorry, the EPRI PHEV bucket truck project and
21 this -- the Clean Cities project, which is being
22 referred to, and this EPRI GM Volt project, is it

1 fair to say that these initiatives will help ComEd
2 assess the electric vehicles' ability to replace
3 carbon-fueled vehicles in their utility fleet?

4 **A.** It will.

5 **Q.** Is it also fair to say that these projects
6 should provide ComEd with knowledge of the
7 life cycle costs of ownership of these vehicles?

8 **A.** It will.

9 **Q.** Would it also be fair to say that these
10 projects should provide knowledge to ComEd of EV
11 operational considerations, including
12 identification and resolution of any potential
13 problems?

14 **A.** It will.

15 The issue with all that is there's 11.
16 There's 11 GM Volts, and that's not a very large
17 sample size.

18 **Q.** Would you also agree that these projects
19 can be expected to produce a limited reduction in
20 emissions and other environmental benefits compared
21 to vehicles that run on conventional fuels?

22 **A.** Yes.

1 **Q.** And would you agree that these projects are
2 expected to allow remote communications and load
3 management capabilities associated with some of
4 these vehicles?

5 **A.** Yes.

6 **Q.** The -- and just a follow-up question.
7 Regarding digger derricks, you have two that are
8 proposed in the current pilot; is that correct?

9 **A.** Correct.

10 **Q.** And do you consider this to be a sufficient
11 sample size?

12 **A.** Well, no, but we don't have -- we have 600
13 vehicles on property for electric vehicles. I'm
14 sorry. We have 600 vehicles for cars, you know,
15 about 600 cars on property. We have about -- a
16 little over a hundred of the digger derricks.

17 So it's -- our fleet size is much
18 smaller as well. And the price difference, you
19 know, these are large vehicles. So you have to be
20 a little cautious in saying that, you know, you're
21 going to go out and buy a fleet of 11 to test them
22 out because, in that case, you're talking about a

1 lot more money.

2 Q. So it's not a sufficient sample size?

3 A. Pardon me?

4 Q. It's not a sufficient sample size?

5 A. We'd like to have more.

6 MR. SAGONE: A moment, your Honor?

7 JUDGE HAYNES: (Nodding.)

8 (Pause.)

9 BY MR. SAGONE:

10 Q. I'm sorry. One further question.

11 So the 11 vehicles -- the 11 Volts, do
12 you consider that to be a sufficient sample size?

13 A. 11's a good number to start with. I think
14 11 could give us some information, but you'd like
15 to have a larger sample size than that.
16 Absolutely.

17 The other difference is, of course,
18 Chevy Volt and the Nissan Leaf which is proposed --
19 what is proposed in our -- in our pilot are two
20 different vehicle types and they operate
21 differently.

22 The Chevy Volt has a 40-mile range. The

1 Leaf has a --

2 MR. SAGONE: I'm sorry. Objection. I just

3 asked about whether the 11 vehicles were a

4 sufficient sample size.

5 THE WITNESS: No. I would say no.

6 MR. FOSCO: And I -- I'm sorry, your Honor. I

7 think the witness --

8 JUDGE HAYNES: He was explaining his answer.

9 MR. FOSCO: -- explained his answer.

10 JUDGE HAYNES: He was explaining his answer.

11 We'll leave it in the record.

12 MR. SAGONE: My apologies.

13 THE WITNESS: Okay.

14 MR. SAGONE: We have nothing further, your

15 Honor.

16 JUDGE HAYNES: Thank you.

17 Redirect?

18 MR. FOSCO: Can we have just a minute, your

19 Honor?

20 JUDGE HAYNES: Oh, yeah.

21 (Recess taken.)

22 JUDGE HAYNES: Let's go back on the record.

1 Any redirect?

2 MR. FOSCO: Yes, your Honor.

3 REDIRECT EXAMINATION

4 BY

5 MR. FOSCO:

6 Q. Mr. McMahan, do you recall that you were --
7 I believe it was by Staff counsel, Mr. Sagone --
8 asked some questions about the cost-effectiveness
9 of the distribution automation projects?

10 A. Yes.

11 Q. Okay. How does ComEd assess the
12 cost-effectiveness of distribution automation
13 projects?

14 A. Well, in terms of cost-effectiveness, we
15 measure the cost of installing the distribution
16 automation versus what we'll call the avoided
17 customer interruptions.

18 So the cost of portfolio technology, if
19 you're going to spend some money, what -- in the
20 system performance category, if you're going to
21 spend money, how many avoided customer
22 interruptions do you expect to get from that --

1 from that installation, from that cost. And that's
2 how we measure it. It's how much do you spend
3 versus how many outages do you avoid. And then
4 that gets stacked up against other technologies.

5 Q. Okay. And can you explain again the range
6 of equipment that we're talking about in terms of
7 the distribution automation projects as you use
8 that term in your testimony?

9 A. Yeah. Distribution automation covers a
10 wide range of projects; but, typically, for ease of
11 description, it's mostly automatic recloser
12 switches. These are devices that sense a fault on
13 the system and segment a line so that half of the
14 customers can stay on, half of the customers stay
15 off, or reconfigures the line so that everyone has
16 power that -- that is not at the heart of the
17 fault.

18 So it's either a segmentation and/or a
19 reconfiguration of the lines.

20 Q. So it generally involves various uses of
21 automatic reclosers or automatic switches?

22 A. That's correct.

1 **Q.** Mr. Sagone also asked you some questions
2 about ComEd's use of GM Volts under the -- I
3 believe it was the EPRI project?

4 **A.** Right.

5 **Q.** In your opinion, does the existence of that
6 project supersede the need for the EV pilot that
7 ComEd's proposing in this case?

8 **A.** No, I don't -- I don't believe it does.
9 There's differences between the two.

10 On the one hand, you know, 11
11 Chevy Volts isn't a very good sample size to start
12 with. It's better than nothing. The other is, we
13 anticipate purchasing Nissan Leafs for the -- for
14 the pilot and those are two separate technologies.

15 The Chevy Volt has a 40-mile range. It
16 also has a gasoline-powered pony (phonetic) motor
17 in it. The Nissan Leaf has a hundred-mile range
18 and it has no backup power at all. So it's
19 strictly pure electric vehicle.

20 So this is an assessment of two
21 different technologies that allows you to do a
22 side-by-side. And then out of that, we'll be able

1 to determine what's the best technology for the
2 service territory moving forward. That's our hope.

3 And the life cycle cost of those two
4 vehicles is going to be different as well because
5 Chevy Volt has different components in it than a
6 Nissan Leaf has. So if you're going to decide
7 which technology to bet on, you want to -- you want
8 to take a side-by-side comparison of the life cycle
9 costs, have a good basis of that, and then move
10 forward.

11 **Q.** You recall that Mr. Sagone also reviewed
12 certain other use of various types of electric
13 vehicles by ComEd such as plug-in hybrid --

14 **A.** Right.

15 **Q.** -- electric vehicles?

16 **A.** Yeah.

17 **Q.** And, basically, the same question they had
18 about the Chevy Volt project:

19 Do you still believe that the EV pilot
20 that ComEd proposed is needed, given those other
21 projects that Mr. Sagone reviewed?

22 **A.** Well, absolutely.

1 I mean, the projects we have proposed in
2 the EV pilot are going to give us some valuable
3 information; and not only that, we're going to
4 share that information broadly with -- not only
5 with the industry, but with the general population
6 as well who will have access to it.

7 So, you know, what is the life cycle
8 cost of some of these electric vehicles. We just
9 don't know.

10 **Q.** And can you explain again -- or I'm not
11 sure that you covered this, but can you explain the
12 difference between the -- testing a plug-in hybrid
13 electric vehicle and then a pure electric vehicle,
14 or why is that a different function?

15 **A.** Well, the -- the Volt and the Nissan Leaf
16 are both electric vehicles. The plug-in hybrid
17 electric vehicles are a combination. They
18 regenerate their batteries based on -- based on
19 regenerative brakes and then they also plug in.

20 The plug-in Priuses we have -- the
21 plug-in hybrid Priuses we have are aftermarket
22 retrofits and they do not represent the current

1 technology at all. There's a five kilowatt-hour
2 battery in there and then you -- and that operates
3 separately from the battery that is charged off of
4 regenerative charging.

5 So those are -- those are entirely
6 separate. You can't use your experience with
7 those -- these aftermarket retrofits to make some
8 assessments based on the pure EVs.

9 MR. FOSCO: Your Honor, we have nothing further.

10 JUDGE HAYNES: Does anybody have recross?

11 MR. SAGONE: Yes, your Honor. Just one further
12 question.

13 RECROSS-EXAMINATION

14 BY

15 MR. SAGONE:

16 Q. Mr. McMahan, you referred to valuable
17 information that would be gained, in the questions
18 that you were just asked.

19 Can you tell me what exactly does that
20 mean? What kind of information?

21 A. Sure.

22 I think that's in the testimony, but the

1 primary focus of the pilot is on the life cycle
2 costs. So we'll have information based on usage,
3 battery life, how much it actually discharges, how
4 much it actually recharges; what the -- what the
5 life of the battery is; in other words, how fast
6 does that battery really degrade; what are the
7 maintenance costs associated with these electric
8 vehicles.

9 You know, if you read the literature,
10 you take in, you know, an electric vehicle for a
11 tune-up. I'm finding that a little hard to
12 believe. So what is the ongoing regular periodic
13 maintenance you need to do with these.

14 And there's a whole list of other items
15 as well that we covered, I believe, in the rebuttal
16 testimony.

17 But the major -- the major focus of the
18 EV pilot is on how much do these costs over their
19 life, because on a first-cost basis, they do not
20 pay for themselves. They're more expensive.
21 Nissan Leaf is 32 and change, and the Chevy Volt
22 is, as you said, about \$41,000. You can buy an

1 equivalent vehicle for 16 to 18 with an internal
2 combustion engine. So do these things pay for
3 themselves over their lifetime.

4 Q. And then going back to the issue of
5 cost-benefits and cost-beneficial -- is it -- is it
6 correct that any program that does not meet the
7 internal cost-benefit test is rejected?

8 A. What internal cost benefit program?

9 Q. Well, that you had discussed, the
10 cost-benefits analysis that you had discussed in
11 your follow-up, cost of installing versus avoiding
12 customer interruptions.

13 A. Oh, okay.

14 Well, you know, it's not a -- it's not a
15 threshold. It is not because there are certain
16 things that you need to do that are going to cost
17 more and have much lower impact on avoiding
18 customer interruptions than others.

19 Distribution automation, we believe, has
20 the biggest bang for the buck, but you can't just
21 run over and do all that within our -- within our
22 budgets. You can't run over and do all that at the

1 exclusion of other -- of other areas.

2 For instance, our underground
3 residential program where these are -- these are
4 cables that run in the underground in the back of
5 everybody's house, in the back of every suburb,
6 those cables fail as well, and -- but a typical
7 interruption of those cables is five people. So
8 you got to balance it.

9 Once again, as I said when we were
10 talking about our budgeting process, we have to
11 balance across categories using some judgement as
12 to where we want to place our money.

13 MR. SAGONE: One moment, your Honor.

14 JUDGE HAYNES: I'm sorry. I didn't hear you.

15 MR. SAGONE: I'm sorry. Just a moment, your
16 Honor.

17 JUDGE HAYNES: Okay.

18 (Pause.)

19 BY MR. SAGONE:

20 Q. Mr. McMahan, with reference to the Clean
21 Cities Grant, does that strictly include the
22 purchase of hybrid vehicles or could Leafs be

1 purchased with those funds instead?

2 **A.** Well, that -- that program is pretty well
3 set. So the number of vehicles we're going to have
4 in the Clean Cities Grant is -- I believe is
5 determined.

6 I don't -- I don't know if it could have
7 been steered one way or the other earlier in the
8 process, but our portfolio under that Clean Cities
9 Grant is fixed at this time.

10 MR. SAGONE: Okay. Thank you, Mr. McMahan. We
11 have nothing further.

12 JUDGE HAYNES: Thank you.

13 MR. BOROVIK: I just had a few questions.

14 RE CROSS-EXAMINATION

15 BY

16 MR. BOROVIK:

17 **Q.** You talked about reclosers.

18 Are you currently installing reclosers
19 on ComEd's system?

20 MR. FOSCO: Your Honor?

21 JUDGE HAYNES: Yes.

22 MR. FOSCO: That was redirect on

1 cross-examination by Staff. It didn't address an
2 issue by the AG.

3 MS. LUSSON: It's new testimony, your Honor.

4 JUDGE HAYNES: And so he did talk about it on
5 redirect --

6 MR. FOSCO: Yes, your Honor.

7 JUDGE HAYNES: -- correct?

8 What's your question?

9 MR. BOROVIK: Is it ComEd currently installing
10 reclosers on their system.

11 JUDGE HAYNES: Yes or no?

12 THE WITNESS: Yes.

13 BY MR. BOROVIK:

14 Q. I won't ask any more questions on
15 reclosers, but I have one question on batteries for
16 EVs.

17 Is -- is it correct that a lot of money
18 is being invested on battery technology and that
19 the technology is fluid?

20 A. You know, that's an area of big debate
21 right now.

22 Your first statement is correct.

1 There's a lot of money being invested in battery
2 technology. That's correct. How fluid and what
3 kind of -- what kind of scale you're going to see
4 those prices come down on the batteries is a
5 subject of large debate. 75 percent of the costs
6 of a battery is the material.

7 Q. But not only the costs, but the
8 improvements in efficiency?

9 A. That's all cost. It is measured in dollars
10 per kilowatt-hour.

11 MR. BOROVIK: No further questions.

12 JUDGE HAYNES: Thank you.

13 Okay.

14 MR. FOSCO: No re-redirect.

15 JUDGE HAYNES: Oh, good. Okay.

16 Thank you, Mr. McMahan.

17 Then we are continued until tomorrow at
18 9:00 a.m.

19 MR. BOROVIK: Your Honor, should I move into the
20 record Mr. Colton's -- I could do that tomorrow as
21 well. Whatever your Honor prefers.

22 JUDGE HAYNES: Well, before we go there, I

1 have -- the AG owes my hard copies on --

2 MS. LUSSON: Right.

3 JUDGE HAYNES: -- two of the cross exhibits. On

4 AG Cross Exhibit 1 and AG Cross Exhibit 2, although

5 AG Cross Exhibit 2 is not in the record.

6 MR. BOROVIK: I believe it's just 1 and 3 now.

7 Ms. Lusson's second one was 3 or.

8 MS. LUSSON: Just to clarify, I think I did move

9 for the admission of AG Cross Exhibit 3.

10 MR. FOSCO: She did.

11 JUDGE HAYNES: 1 and 3 are in the record. And I

12 need a copy of 1.

13 MS. LUSSON: Right.

14 JUDGE HAYNES: And so 2, we'll just wipe all

15 mention of it out. Okay. Very good.

16 MR. BOROVIK: Your Honor, I don't believe -- I

17 mean, it wasn't stricken from what was said as far

18 as 2 goes. So, I mean, we're not admitting it into

19 the record, but there was some discussion about it

20 on the record.

21 JUDGE HAYNES: Well, but I don't have any copies

22 of it. So if you want it to be -- you might pursue

1 this at some other level or something, you'd have
2 to get a copy. Although it's not in the record.

3 MR. BOROVIK: I understand, your Honor.

4 JUDGE HAYNES: Okay. Did you want to do
5 Mr. Colton?

6 MR. BOROVIK: I'm ready, your Honor. It
7 wouldn't take but a minute.

8 JUDGE HAYNES: Okay.

9 MR. BOROVIK: Thank you.

10 Your Honor, the People would like to
11 move into the record AG Exhibit 2.0, the direct
12 testimony of Roger D. Colton, including an
13 Appendix A and B that was filed on e-Docket
14 November 19th, 2010.

15 Also, AG Exhibit 4.0, the rebuttal
16 testimony of Roger D. Colton, filed on e-Docket
17 December 22nd, 2010.

18 And, lastly, the AG Exhibit 4.1, the
19 affidavit of Roger D. Colton. That will be filed
20 on e-Docket today.

21 JUDGE HAYNES: Is there any objection?

22 MR. RIPPKE: There is no objection, and we hope

1 he's enjoying his trip to Ireland.

2 JUDGE HAYNES: Oh, okay. Those -- the testimony
3 of Mr. Colton and his affidavit are admitted into
4 record as filed on e-Docket.

5 (Whereupon, AG
6 Exhibit Nos. 2.0, 4.0 and 4.1
7 were admitted into evidence as
8 of this date.)

9 JUDGE HAYNES: Okay.

10 MR. REDDICK: Your Honor, if I could take care
11 of one of mine?

12 JUDGE HAYNES: Okay.

13 MR. REDDICK: Conrad Reddick on behalf of the
14 Illinois Industrial Energy Consumers.

15 I'd like to move into the record the
16 testimony and exhibits of Robert Stephens.
17 Mr. Stephens has provided direct testimony labeled
18 Corrected Direct Exhibit 1.0, which was filed on
19 e-Docket on January 21, 2011.

20 Accompanying that testimony are Exhibits
21 1.1, 1.2 and 1.3, all of which were filed on
22 November 9th, 2010.

1 Mr. Stephens also has prepared rebuttal
2 testimony labeled IIEC Exhibit 2.0, which was filed
3 on e-Docket December 22, 2010.

4 And the affidavit in which Mr. Stephens
5 adopts these exhibits as his sworn testimony has
6 been filed on e-Docket today, January 25, 2011, and
7 is labeled IIEC Exhibit 3.0.

8 I'd like to move those into the record,
9 please.

10 JUDGE HAYNES: Is there any objection?

11 MR. RIPPIE: There is none.

12 JUDGE HAYNES: Okay. IIEC Exhibits 1.0, 1.1,
13 1.2, 1.3, 2.0, and 3.0 are admitted into the
14 record.

15 MR. REDDICK: Your Honor, 1.0 was corrected.

16 JUDGE HAYNES: Corrected.

17 MR. REDDICK: Yes.

18 JUDGE HAYNES: 1.0 corrected as filed on
19 e-Docket are admitted into the record.

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1 (Whereupon, IIEC
2 Exhibit No. 1.0, 1.1, 1.2, 1.3,
3 2.0, and 3.0 were
4 admitted into evidence as
5 of this date.)

6 MR. COFFMAN: Your Honor, if this is a
7 convenient time, I would offer --

8 JUDGE HAYNES: That's okay. This is lunch time.
9 Go for it.

10 MR. COFFMAN: I have two exhibits that are the
11 testimony of Barbara R. Alexander, witness for
12 AARP, filed AARP Exhibit 1.0 on November 9, 2010.
13 And Miss Alexander's rebuttal testimony is AARP
14 Exhibit 2.0, and that was filed on December 22nd,
15 2010.

16 And they do not have the exhibit number
17 designation on them. I just realized that. But
18 that is how we would like to designate them.

19 JUDGE HAYNES: That's fine.

20 And does she have an affidavit?

21 MR. COFFMAN: Yes. The affidavits for both
22 these testimonies were filed at the same time as

1 the rebuttal on December 22nd.

2 JUDGE HAYNES: Okay. Did you -- is that
3 attached to that testimony or is it a separate
4 thing?

5 Should we call it 3.0?

6 MR. COFFMAN: It was separate -- in the separate
7 docket, but filed on e-Docket.

8 JUDGE HAYNES: Okay. We'll call that -- the
9 affidavit is 3.0 and that was filed December 22nd.

10 MR. COFFMAN: Yes.

11 JUDGE HAYNES: Okay.

12 Any objection?

13 Hearing none, those exhibits are
14 admitted.

15 (Whereupon, AARP
16 Exhibit Nos. 1.0, 2.0 and 3.0
17 were admitted into evidence as
18 of this date.)

19 JUDGE HAYNES: Okay?

20 MR. COFFMAN: Thank you.

21 JUDGE HAYNES: Great.

22 MR. RIPPKE: We are beginning, your Honor, at

1 9:00 a.m. tomorrow?

2 JUDGE HAYNES: 9:00 a.m. for Mr. Stoller.

3 Great. Thank you.

4 (Whereupon, said hearing was
5 continued to January 26, 2010
6 at 9:00 a.m.)

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